General Electric Company

1985 Annual Report

As we look to the next five years, our combination of different business cultures and shared values gives GE the ability — and flexibility — to win in world markets. It provides the bond that stimulates our people, the most important asset of any organization, to pursue a common goal — achieving excellence in everything we do.

Contents

Financial Highlights

(Dollar amounts in millions; per-share amounts in dollars)	1985	1984	Percent increase
For the year			
Sales	$ 28,285	$ 27,947	1%
Net earnings	2,336	2,280	2
Per share			
Net earnings	$ 5.13	$ 5.03	2%
Dividends declared	2.23	2.05	9
Market price range	73⅞-55⅝	59⅜-48¼	
At year end			
Total capital invested	$ 16,082	$ 14,502	11%
Share owners' equity	13,904	12,573	11
Measurements			
Operating margin as a percentage of sales	10.4%	10.2%	
Earnings as a percentage of:			
Sales	8.3	8.2	
Average share owners' equity	17.6	19.1	
Return on average total capital invested	16.5	17.9	
Borrowings as a percentage of total capital	12.7	12.4	

Chairman and Chief Executive Officer John F. Welch, Jr. (seated) is flanked by Vice Chairman and Executive Officer Lawrence A. Bossidy (left) and Vice Chairman and Executive Officer Edward E. Hood, Jr. (right).

During the past five years, we've shared with you our assessment of the increasingly more competitive 1980s — and our strategy for winning in this era of greatly intensified worldwide competition. In an environment of accelerated technological and market change and slower worldwide growth, a company — and its businesses — must change faster than the world around it. That's why General Electric embarked five years ago on a long-term strategy to become the most competitive enterprise in the world — not only in the 1980s, but in the 1990s and beyond.

Central to our strategy is being number one or two in market share in 15 critical businesses which we've grouped into three circles: core manufacturing, technology and services.

In core manufacturing, we have six large businesses — lighting, major appliance, motor, turbine, transportation, construction equipment — that have a commanding or leading market position. In the past five years, we've invested more than $2 billion in these businesses to help ensure they'll be as strong in the 1990s as they are in the 1980s. The payoff from this investment is encouraging. Over the past five years — despite the cost of the heavy investment, one of the worst postwar recessions, and increased foreign competition (aided by a strong dollar) that battered much of America's manufacturing sector — the earnings of these businesses as a group have increased at an average annual rate of 7%. Equally important, they are well-positioned for the future.

In GE's large technology businesses — medical systems, aircraft engine, aerospace, materials, factory automation — our strategy is to make certain these businesses continue to improve their competitiveness through a combination of synergistic acquisitions and substantial investments in research and development. R&D expense in these businesses was $7.8 billion in the past five years; plant and equipment investment, $3.6 billion. During the 1981-85 period, earnings in these businesses as a group grew at an average annual rate of 19%.

In our services businesses — financial services, construction and engineering, nuclear services, information services — businesses where ideas overwhelm investment — our strategy is to grow by adding entrepreneurial people, individuals who by themselves can create new ventures, and by making related acquisitions. Employers Reinsurance Corporation, for example, was acquired in 1984 for $1.1 billion and made a positive contribution to earnings in its very first year — even after allowing for all acquisition costs. Our four services businesses — led by financial services — have grown earnings during the past five years at an average annual rate of 16%.

Outside the circles are three businesses — semiconductor, Ladd Petroleum, the General Electric Trading Company — that provide support to the businesses within the circles.

Also outside the circles are GE's ventures — such as our ceramics business and Calma, our interactive graphics affiliate. These ventures represent businesses that have a chance to play a big role in what we estimate to be large markets in the 1990s. At GE today, they're run by entrepreneurs with their own boards — but with all the technological and financial resources that come with being part of a larger company.

Outside these circles, as well, are other businesses: Some have performed very well in small or low-growth markets; some have performed marginally; others are simply a poor strategic fit with the Company. In general, the managerial performance in these businesses was outstanding in 1985 — and just as important to the Company's short-term results as the performance of our more strategic businesses.

In 1980, GE's earnings were about equally divided between core manufacturing — on one hand — and technology and services — on the other. Today, while core manufacturing has grown in absolute terms, about 70% of 1985 earnings came from technology and services.

As part of the ongoing implementation of our strategy, we signed in late 1985 a definitive merger agreement whereby GE will pay approximately $6.3 billion in cash, or $66.50 a share for common stock, to merge with RCA. After this merger, GE will generate about 80% of its earnings from technology and services — and still have a very strong, competitive and growing manufacturing segment.

RCA's services and technology businesses — the NBC network, the broadcast stations, the aerospace and defense businesses, communications and the RCA Service Company — will complement our own businesses and help improve our global competitiveness.

General Electric already competes successfully in world markets, and we consistently rank among the nation's largest

exporters. Our 1985 total exports were $4.0 billion, and our net exports were $2.6 billion positive in a U.S. economy that had almost a $150 billion merchandise trade deficit.

Because of the strong dollar, and our commitment to maintain worldwide share, much of our export sales in recent years had low or no profit margins. But we were able to compete because our strong domestic businesses could support our exports during the period of dollar imbalance. The merger with RCA — with its strong domestic businesses — will greatly improve our already significant global competitiveness by increasing the staying power of an American company, with American workers.

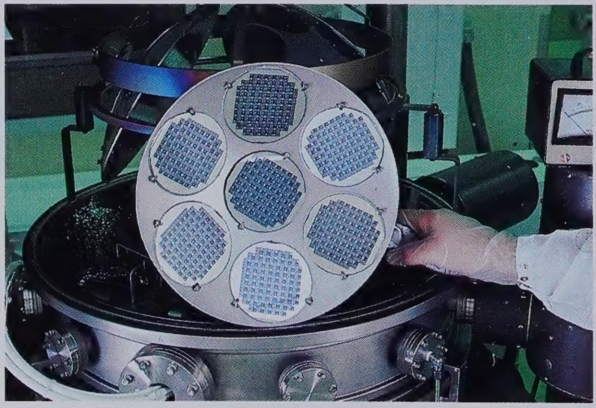
The merger was approved by RCA's share owners on February 13, 1986. During the next few months, it will be subject to review or approval by the Federal Communications Commission, the Justice Department and other governmental authorities. We anticipate the merger will be completed in the second half of 1986.

Our positioning for the future was accompanied by significant growth during the past five years:

- Earnings have grown 10% a year compounded.
- Our stock, through appreciation and yield, has grown 25% a year compounded.
- We've outperformed, from the standpoint of both earnings growth and stock appreciation, any group of peers — including the S&P 400, the "Blue Chip" (triple A-rated) companies, and the electrical equipment industry.

Looking more specifically at 1985, some of our businesses had an excellent year, but a number of our key markets were flat or down, reflecting the general sluggishness in the U.S. economy. Overall, net earnings were $2.336 billion, an increase of 2% from $2.280 billion in 1984. Earnings per share were $5.13 for 1985 compared with $5.03 for 1984. Sales for 1985 were $28.29 billion, about 1% more than 1984's $27.95 billion. Contributing to the modest improvement in earnings were better operating margins which, at 10.4% of sales, exceeded last year's record 10.2% rate.

In 1985, we also made significant additional progress toward our long-term goal of disposing of businesses that don't fit GE's future and of strengthening the productive capabilities of those that do. Total value of transactions involving sales of assets during 1985 amounted to about $700 million, bringing the five-year total to $5.6 billion. The money from these asset



Research and development expenditures hit a record $2.6 billion in 1985. The Company's R&D Center in Schenectady, N.Y., continued key thrusts at strengthening GE technology in materials, automation, computer science and microelectronics. Current work on the advanced very large scale integrated circuits shown here, for example, is being done to give GE a competitive edge in aerospace and other businesses.

sales has been essential to our restructuring efforts — enabling us to invest in our key businesses and to help make such acquisitions as Employers Reinsurance and RCA.

Also looking to the future, research and development expenditures from Company and customer funds totaled $2.6 billion in 1985, up from 1984's $2.3 billion. R&D expenditures equaled 9% of 1985 sales compared with 8.2% in 1984. Expenditures for plant and equipment were about $2 billion. The five-year investment in GE's future growth — in plant and equipment and in research and development — totaled more than $20 billion.

Some key businesses did better than we anticipated in 1985, some did about what we expected, and some didn't quite measure up to our expectations. Aircraft engine, aerospace, financial services, factory automation, nuclear services, construction equipment, transportation and the trading company performed better than our expectations. Major appliance, lighting, motor, medical systems, materials, information services, Ladd Petroleum, semiconductor, and construction and engineering were about on plan. Turbine, because of the severely depressed worldwide market for electrical generating equipment, suffered a significant erosion in earnings. Outside the circles, very strong performances from Canadian General Electric and power delivery were, unfortunately, overwhelmed by the disappointment in consumer electronics, which had a negative swing of more than $50 million in earnings.

Our factory automation business became profitable during 1985 — an achievement of special significance for us. We began this venture five years ago; went through one of the worst postwar recessions; and, as with most new ventures, made several mistakes and invested more money than we had planned. But our staying power, and confidence in the reindustrialization of America, has been rewarded. Today, we have a growing, profitable business in less time than it took us to do so in either plastics or commercial aircraft engine — two other GE technology ventures that are now billion-dollar-plus businesses.

Customer satisfaction received renewed emphasis throughout GE during 1985 as the Company initiated new programs and approaches designed to give all customers — from individual homeowners to multinational companies — a better quality of service.

GE business highlights for 1985 are discussed on pages 8-24. They include technology and marketing achievements for our plastics, medical systems, major appliance, lighting, aircraft engine, aerospace and locomotive businesses and the continued strong growth of several businesses, led by financial services. Another highlight — one that crosses several businesses — was the selection of GE in a Gallup poll of U.S. consumers as the first company that comes

to mind when they consider worldwide companies associated with high quality.

Our biggest disappointment in 1985 was not operational. It was the indictment and guilty plea in a case involving improper timecard charges on a defense contract back in 1980. This incident was very difficult and painful for the men and women of General Electric, but we learned much from it. We implemented significantly more stringent financial and management controls in our defense-related businesses — including a new corporate policy, a Compliance Review Board and an ombudsman. We are firmly committed to reducing the possibility of future transgressions and to finding — and reporting to the government — transgressions that may have occurred in the past.

In lifting the government's suspension of the Company as a government contractor, then-Air Force Secretary Verne Orr acknowledged the depth of our commitment by stating: "General Electric has been very forthright in uncovering, investigating and reporting to appropriate governmental agencies potential past violations of government procurement regulations. This cooperative self-policing effort provides a means for effectively discovering and resolving problems promptly and constructively."

Another disappointment during the past year was our inability to make the case for the crucial linkages among incentives for productive capital investment, worldwide competitiveness and America's standard of living. Since the 1981 federal tax plan went into effect, with its provisions for investment tax credit and accelerated cost recovery, General Electric and its financial services subsidiary have invested $22 billion in our own plants and in the factories, utilities, airlines and railroads of America, creating or preserving at least 250,000 jobs. While we paid $5.6 billion in taxes other than federal income taxes during the past five years, the $22 billion investment deferred much of our federal income tax liability — a fact that has been misunderstood by some advocates of tax reform.

Although that pro-investment 1981 tax plan helped GE and other companies to modernize and automate their factories and to become more competitive in world markets, current tax reform proposals would reduce or eliminate the incentives that facilitated such investment and would seriously impair the ability of American companies to compete with foreign firms that are strongly supported by their countries' fiscal and trade policies. While we accept the reality that a system in which profitable corporations do not appear to pay taxes is politically unacceptable, we will continue to speak out on the critical need for incentives for productive capital investment.

Leadership — the ability to inspire others through vision, courage and commitment — is a critical asset being taught to GE managers attending courses at the Company's Management Development Institute in Ossining, N.Y.

The economic outlook for 1986 is mixed. Although a few positives have emerged, some negatives stubbornly persist. Interest rates are lower than a year ago, but inflation-adjusted "real rates" are still very high by most yardsticks. The trade-weighted dollar did start to fall in 1985, but still ended the year almost 50% above its 1980 level. Even at today's exchange rates, Japanese wage costs are only about 60% of the U.S. manufacturing average, and Korean worker compensation is about 10% of the U.S. average. Other restraining forces are the still-unsettled state of U.S. tax reform and the seemingly intractable federal deficit problem.

Against this backdrop, our economists are looking for a modest rebound in the U.S. economy, and operating plans of GE's businesses for 1986 reflect — prudently, we believe — a relatively low-growth scenario with modest earnings growth. Should the economy be more in line with the consensus forecast of close to 4% real GNP growth, we are well-positioned for good earnings growth.

The removal of an entire layer of upper management structure in late 1985 gives significantly more responsibility to the leaders of GE's various businesses, freeing them to compete more effectively in world markets. We were able to make this major organizational change because of the growing recognition by GE people that, while we profit from the cultural diversity of our many businesses, we are governed by common policies and united by shared values. Our shared values include a recognition that:

- Excellence can be measured only in terms of customer satisfaction.
- Change must be accepted as the rule rather than the exception.
- Open, candid, interactive, continuous communication up, down and across the Company is the key to gaining trust and commitment.
- Effective leadership involves the acceptance and management of paradox. For example, we must function collectively as one Company and individually as many businesses at the same time. Similarly, we must meet our short-term commitments while investing for long-term success.
- Our resource allocation process must be dynamic. Sometimes a business benefits as a net importer of dollars, ideas and talent while at other times the same business will be called upon to be a net exporter for the benefit of the Company as a whole.

As we look to the next five years, our combination of different business cultures and shared values gives GE the ability — and flexibility — to win in world markets. It provides the bond that stimulates our people, the most important asset of any organization, to pursue a common goal — achieving excellence in everything we do.

John F. Welch, Jr.
Chairman and
Chief Executive Officer

Lawrence A. Bossidy
Vice Chairman and
Executive Officer

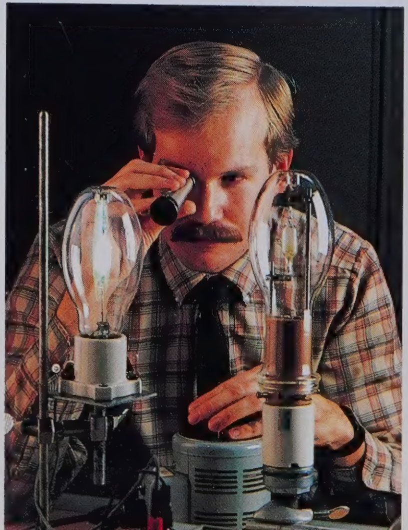
Edward E. Hood, Jr.
Vice Chairman and
Executive Officer

February 14, 1986

Our six core manufacturing businesses — lighting, construction equipment, major appliance, motor, transportation and turbine — are all large, profitable and strong market leaders. To help them remain that way, we have invested $2.1 billion over the past five years to upgrade our plants for the future.

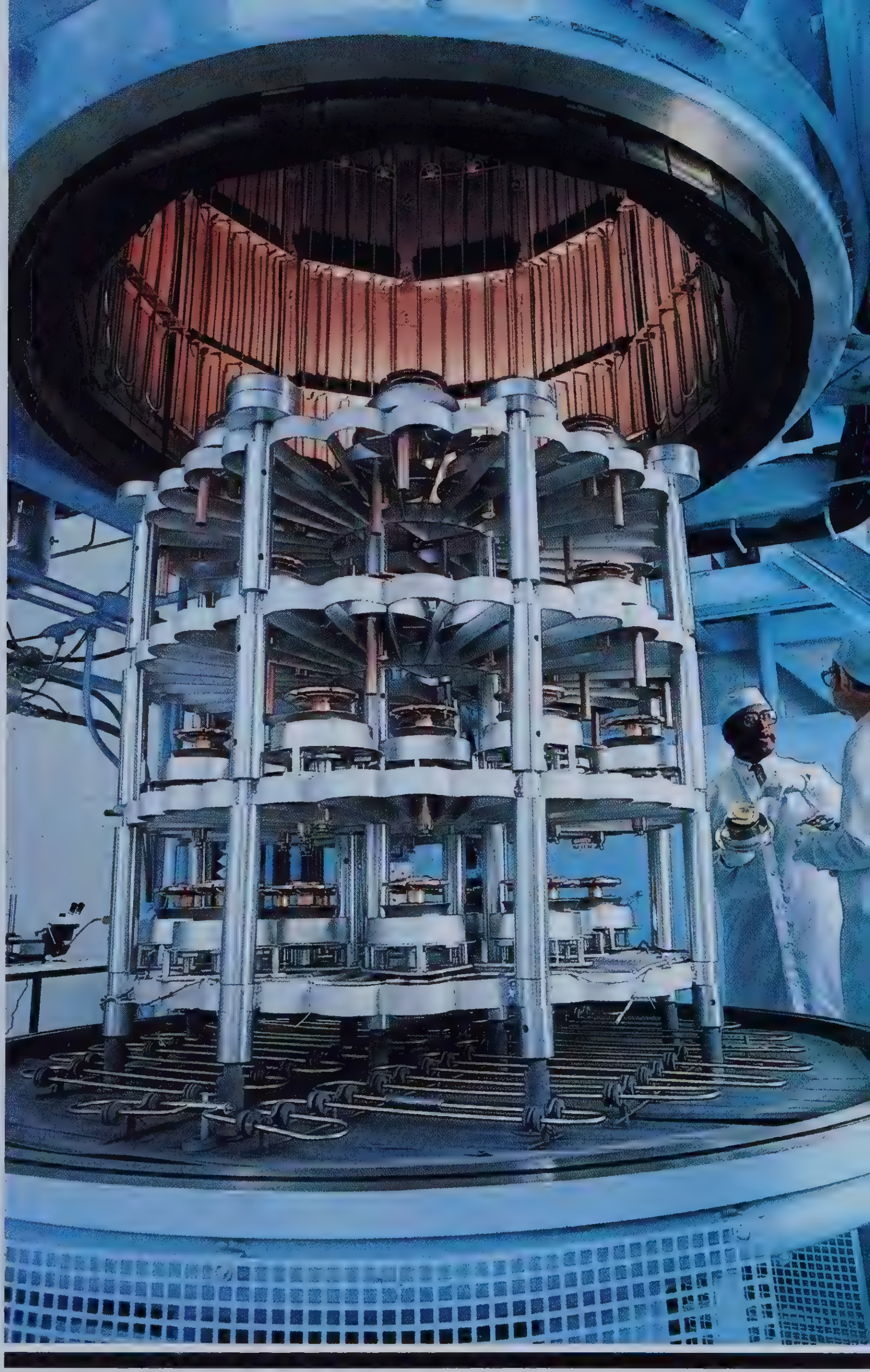
Lighting

GE has devised a special lighting system for the Statue of Liberty. The system, which will illuminate the restored Statue at right when it reopens in July 1986, creates the appearance of natural light by combining the cool and warm light effects from two new Multi-Vapor® lamps, shown below being tested by research technician Martin Hassink at the Company's lighting technology lab in Cleveland, Ohio. A leader in lighting innovation, GE is the largest manufacturer of lighting products in the United States — producing more than one billion light bulbs annually. Its 30 U.S. manufacturing plants, as well as facilities in Canada, Latin America and other international locations, serve a multibillion-dollar world market. To continue this lighting leadership, the Company has invested more than $640 million over the past five years in plant and equipment, including new high-speed manufacturing equipment for incandescent and fluorescent lamps. The lighting business also manufactures rechargeable batteries, lighting fixtures and wiring devices, as well as quartz products for the semiconductor, fiber optics and lighting markets.



Construction Equipment

A leading supplier to the construction industry, this GE business provides contractors, original equipment manufacturers and other users with a full range of products that distribute electric power and that protect circuits, equipment and people. During 1985, the construction equipment business continued to invest in improved manufacturing technologies, including the new state-of-the-art clean room at right that opened in Burlington, Iowa, for the production of vacuum interrupters. Used in GE switchgear, vacuum interrupters function like light switches, turning very large electrical currents on and off. Automated production of high-volume residential circuit breakers also began during the year. Other 1985 highlights for the construction equipment business included the automation of loadcenter production in Morristown, Tenn., and the introduction of a new line of panelboards to be manufactured in the highly automated Salisbury, N.C., plant.



Major Appliance

Listening to consumers has helped make GE the U.S. market leader in major appliances. Not only has the Company introduced major product innovations to meet consumer expectations, such as the stylish state-of-the-art kitchen appliances shown above, it also has developed innovative programs to serve consumers better. A new "Quality of Service" program helps GE technicians learn how to deal with people and not just fix products. It joins such other consumer-oriented programs as the self-help Quick Fix® system and The GE Answer Center® service, which handles more than 2.5 million calls from consumers annually on its toll-free number (800-626-2000). Products introduced in 1985 included a new line of gas ranges, the Refreshment Center refrigerator and the Spotscrubber® clothes washer. In addition, the major appliance business continued to invest for the future. At right is a section of the rotary compressor plant being completed at Columbia, Tenn., part of an ongoing $235 million commitment to improving the design and manufacture of GE refrigerators. During the year, GE began sourcing microwave ovens and room air conditioners to concentrate its investment strategy on refrigerators, dishwashers, ranges and home laundry equipment.

Motor

GE is the world's leading supplier of electric motors, such as the 96 Energy \$aver® motors installed in 1985 to run the air intake and exhaust fans below at the newly opened Fort McHenry Tunnel in Baltimore, Md. During the year, GE shipped 29 million motors of almost every description, ranging from subfractional designs for use in computers to fractional motors for appliances to very large motors of several thousand horsepower for use in manufacturing and process industries. GE motors are available in both normal efficiency and high efficiency Energy \$aver designs. The motor business also combined sales and service functions into a new customer service organization in 1985 as part of its drive to improve customer satisfaction.

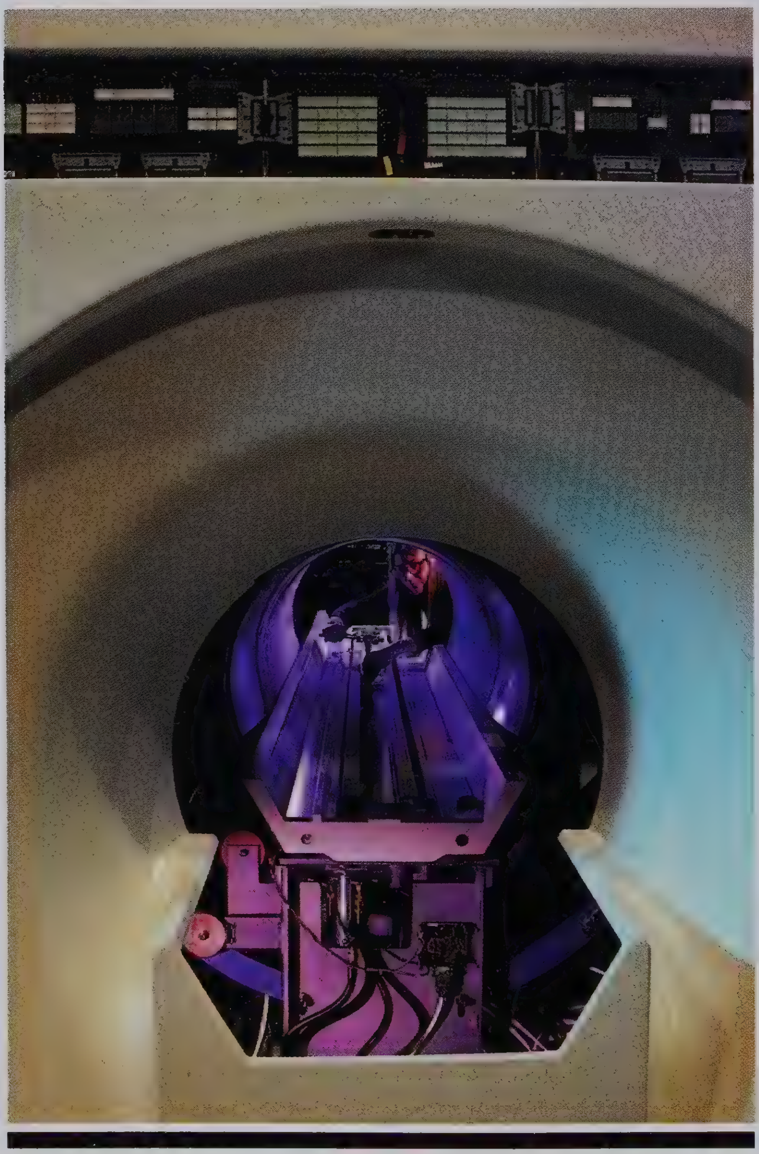
Transportation

Building on its successful 1984 delivery of 220 locomotives to the People's Republic of China, General Electric received a follow-on order in 1985 for 201 more locomotives. Manufactured in the Erie, Pa., plant at left, the locomotives will be shipped to China through early 1986. The transportation systems business also shipped the first production units of its new computer-controlled Dash 8 locomotive to the Norfolk Southern Corporation in 1985 and received a significant first order for its new 190-ton motorized wheel system, which will be used on mine haulage vehicles in Australia. The market leader in electric drive systems for large off-the-road mining vehicles and transit cars, GE also is a market leader in computer-controlled locomotives.

Turbine

Sitting on the manmade peninsula below in Tokyo Bay, the world's largest and most technically advanced combined-cycle power station — featuring 14 GE STAG® combined-cycle systems — is taking shape. One unit went into commercial operation in late 1985. When the plant is completed in 1988, it will generate 2,000 megawatts of electricity for Tokyo Electric Power Company, Inc. Other highlights for the year included the delivery of the world's largest 60-hertz generator to a power plant in Arizona and the signing of an agreement with the People's Republic of China to co-produce four 600-megawatt steam turbine-generators. GE also combined its steam turbine and gas turbine organizations in 1985 to improve management effectiveness and help maintain the Company's position as the world's leading supplier of power generation systems. About half of the world's 10-megawatt and larger gas turbines are GE-designed, and more than half of the electric power in the United States is generated by GE steam turbine-generators. This business also is the leading supplier of ship propulsion and turbine-generator systems to the U.S. Navy.

GE has five key technology businesses: medical systems, aircraft engine, aerospace, materials and factory automation. To keep these businesses on the leading edge of technology, we have combined substantial expenditures for research and development — $7.8 billion over the past five years — with acquisitions and joint ventures.



Medical Systems

General Electric continued as the world leader in medical diagnostic imaging equipment during 1985. In the major new growth area of magnetic resonance, for example, GE shipped more than 100 Signa® MR systems, such as this one under production at Milwaukee, Wis. Technical advances made in MR included the first demonstrations of integrated imaging and spectroscopy (chemical analysis), as well as progress in using MR for special studies of the central nervous system, abdomen, chest and eyes. The medical systems business continued making major strides in other areas, too. The new CT 9800 Quick® system enhances GE's world-leading position in the premium end of the computed tomography market, while the CT 9000 — produced by its Japanese joint venture firm — is now the mid-priced leader in the U.S. market. GE also has a major share of the U.S. market for X-ray systems, has gained in the domestic market for ultrasound products and has moved toward worldwide leadership in nuclear medicine equipment.

Aircraft Engine

GE's aircraft engine business enjoyed its best year ever in 1985. A total of 2,180 jet engines were shipped to commercial, military, marine and industrial customers. This production activity was due, in part, to the growing worldwide popularity of the CFM56-3 commercial engine on Boeing airplanes, as well as stepped-up production rates for the F101 and TF39 military engines for the U.S. Air Force. During the year, CFM International — a joint company of General Electric and SNECMA of France — delivered its 1,000th engine. In addition, the large commercial engine business celebrated the September delivery to Thai International Airways of the A300-600 airplane below, the first equipped with GE's new CF6-80C2 high-bypass turbofan engine. This engine also was ordered for other advanced Airbus Industrie and Boeing aircraft. GE also brought its revolutionary UDF® (Unducted Fan) engine to test in August. Shown above with its thin, sweptback fan blades, the UDF set a world's record for fuel efficiency in its first series of tests, attaining fuel consumption levels approximately 20% lower than today's most efficient turbofan. Significant investments were made in other research and development programs and in manufacturing technology to continue positioning aircraft engine for further growth in the highly competitive U.S., European and Far East markets.

Aerospace

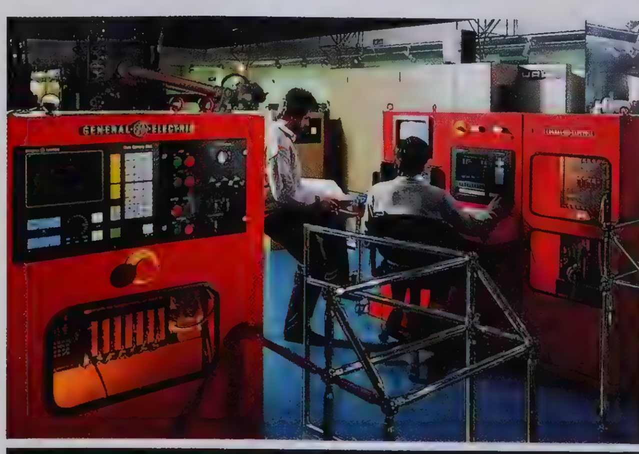
The new communications satellite above dwarfs Theresa Skiffington and Claye Hart, two college graduates recently hired by the aerospace business. Already a leading supplier to the defense, space and aviation markets, this GE business is preparing for further growth by steadily recruiting new engineering talent and by investing heavily in developing such important technologies as microelectronics, signal processing and computer software. Among 1985 developments were advanced digital controls for aircraft engines, flight controls for advanced helicopters, new computer-generated imagery for aircraft simulators and installation of advanced radar systems in Alaska. GE also began development work on the Upper Atmosphere Research Satellite (UARS), the Company's biggest satellite ever. Scheduled for launch in 1989, UARS will occupy more than half of a space shuttle's cargo bay.

Materials

The Company's plastics business is benefiting from the increasing use of high-performance plastics in automobiles, such as these bumpers being produced for the Ford Taurus and Mercury Sable at a Ford plant in Milan, Mich. Several new car models, for example, contain up to 65 pounds of GE plastics in bumpers, lights, instrument panels and other parts. During 1985, GE strengthened its world leadership in engineering thermoplastics. It unveiled two new resin lines — Lomod® thermoplastic elastomers and Geloy® weatherable resins — and introduced Noryl GTX® resin, a plastic for use in automotive exteriors. A marketing venture for Gepax® plastic packaging also began in 1985. The plastics business continued work on a new $325 million plant in Burkville, Ala., for the production and compounding of Lexan® polycarbonate, its flagship material. Lexan resin is being used in everything from the baby bottle above to windows and lawn mowers. Homeowners and other customers also turn to GE silicone products for sealing windows, bathroom fixtures, auto parts and other items. In addition to silicone sealants, the Company's engineered materials business markets a broad line of industrial diamonds and other specialized products for construction, drilling, mining and electrical applications. The electronics industry also utilizes GE's chemical materials to sharpen the photographic image used to produce complex microchips.

Factory Automation

General Electric made continued progress in its factory automation business during 1985. A technology start-up in the early 1980s, this business is now in the black — becoming profitable faster than either commercial aircraft engine or plastics, two other technology start-ups that are now multibillion-dollar GE businesses. During the year, the factory automation business unveiled a new automation center in Frankfurt, West Germany, to further penetrate the European market. Shown directly below, it is equipped with the latest in automated manufacturing and warehousing systems and serves as an application, training and demonstration facility for GE customers. The Company also introduced new products and services to help customers improve productivity, including the GENIUS® I/O system that saves on installation costs and provides a sixfold improvement in the diagnostic capabilities of the already successful Series Six® programmable controller. Other 1985 introductions included the P60 six-axis robot, the MIGTRAK® welding seam tracker with laser optics (based on developments at the Company's R&D Center) and software packages for shop floor management. A new GEnet® communications network for tying factory automation equipment together was derived from the technology of Industrial Networking, Inc., a joint venture (with Ungermann-Bass, Inc.) that is emerging as a leader in the industrial communications market. GE's drive systems business strengthened its position as the world's leading supplier of customized drive and automation systems for the paper, mining, drilling, automotive testing, ship propulsion and metals industries. GE drive systems, for example, enabled the slab-casting complex below at LTV Steel's Indiana Harbor Works in Whiting, Ind., to set monthly production records in 1985.



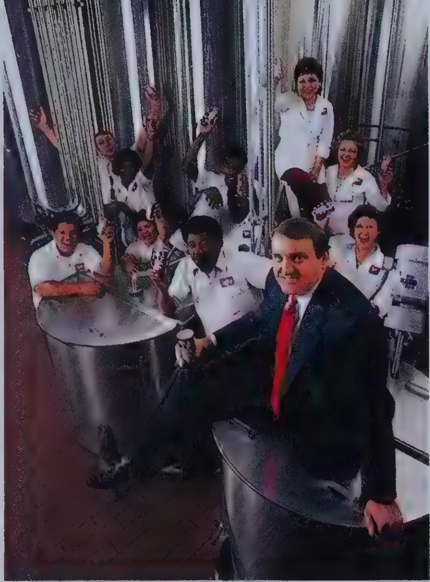
Our services businesses range from construction and engineering services to financial services, from information services to nuclear services. To continue developing these opportunities, we have expanded our capabilities through acquisitions and other investments — $2.0 billion worth over the last five years — and innovative solutions to customer needs.

Construction & Engineering

GE provides a wide variety of construction and engineering services throughout the world. For example, GE systems engineers designed and are installing a customized control system for this new brass mill at the Chase Brass Company in North Carolina. During the year, the domestic business also received major contracts for assembling and rehabilitating transit cars and began constructing a $63 million refuse-to-energy power plant in Maine. It is also a leader in the installation, maintenance and modernization of power systems equipment, environmental controls and factory automation products for industrial and electric utility plants. Internationally, this business concentrated in 1985 on providing timely construction and engineering services for a changing world marketplace. Rehabilitation projects, such as the Dominican Republic's Rio Haina steam turbine plant, can add about 20 years of useful life. Remote area capabilities, demonstrated by the Guddu, Pakistan, gas turbine installation, can give GE the competitive edge in major equipment sales. And GE's advanced repair capabilities add to the Company's advantage.

Financial Services

General Electric is the only non-bank among the top 10 business-to-business financing leaders in the United States. Through its affiliate, General Electric Financial Services, Inc. (GEFS), the Company provides reinsurance for companies to protect their property and funding for industries to expand or automate, manufacturers to finance product sales through retail credit agreements and entrepreneurs to acquire businesses through leveraged buyouts. Part of GEFS, the General Electric Credit Corporation (GECC) is the nation's largest diversified finance company with net earning assets of $20.2 billion. GECC is a leader in leasing and in leveraged buyouts, such as the $83 million transaction in 1985 that allowed a management team to purchase the Dr Pepper bottling company at right in Dallas, Texas. The logos below represent a few of the other 48 leveraged buyouts financed or refinanced by GECC over the past two years. GECC also expanded its financial services in 1985 by adding a computer leasing business to its technology equipment financing operation and two auto auction companies to its asset management activities. Another part of GEFS, Employers Reinsurance Corporation (ERC) has made significant progress since it was acquired in 1984. One of the three largest property and casualty reinsurers in the United States, ERC experienced a 56% increase in net written premiums during 1985 and made a $36 million net contribution to GEFS earnings after allowing for all acquisition costs. Financial services also includes the General Electric Venture Capital Corporation, which held direct investments in 54 companies at year end.



Information Services

Customers worldwide turn to General Electric Information Services Company to help them process and exchange information. For example, automotive distributors like General Parts, Inc. above in North Carolina can order supplies quickly and accurately over the Motor and Equipment Manufacturers Association's TRANSNET system, which electronically connects more than 3,500 distributors with 82 manufacturers via GE's worldwide teleprocessing network. In addition to this type of electronic data interchange, GE is focusing its network-based services on systems that tie together headquarters operations with geographically dispersed offices and dealerships or that process documents and financial transactions. GE's information services business also offers a series of software packages, primarily for use by corporate accounting and financial departments, and a consulting services operation that helps customers design and implement information systems.

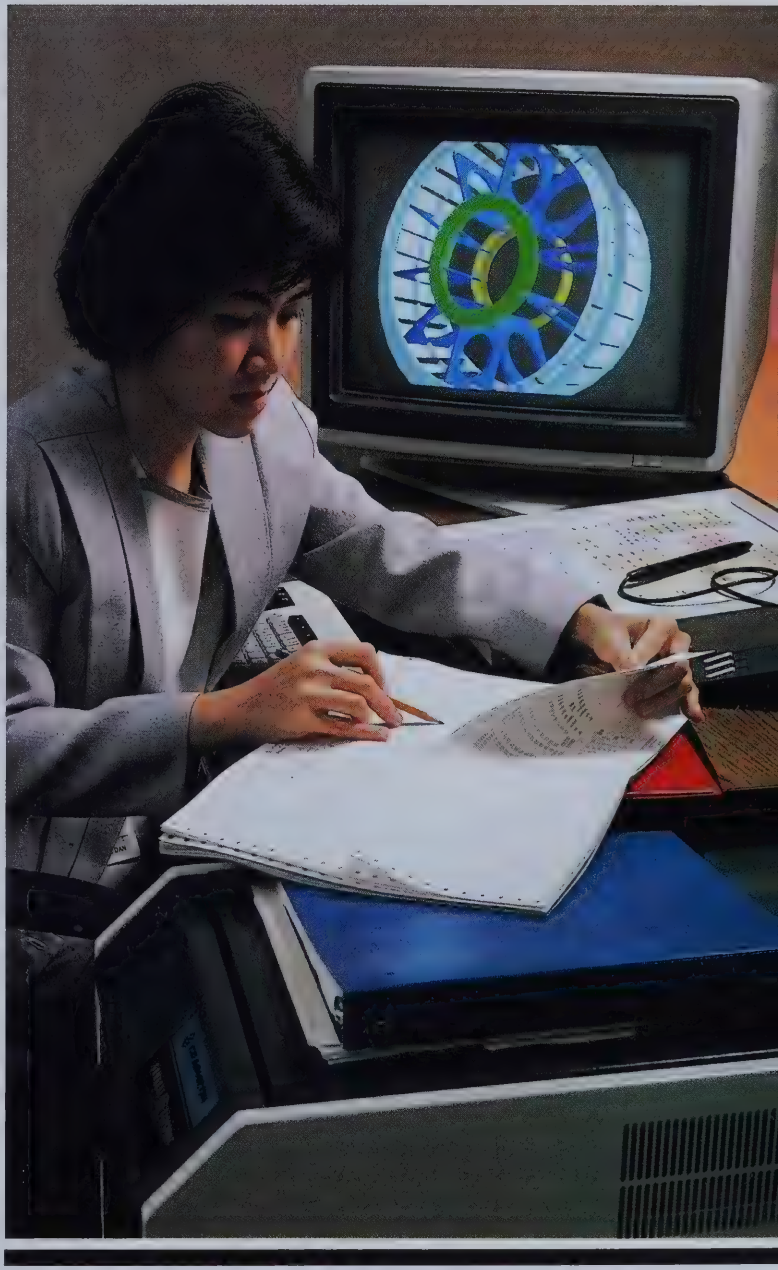
Nuclear Services

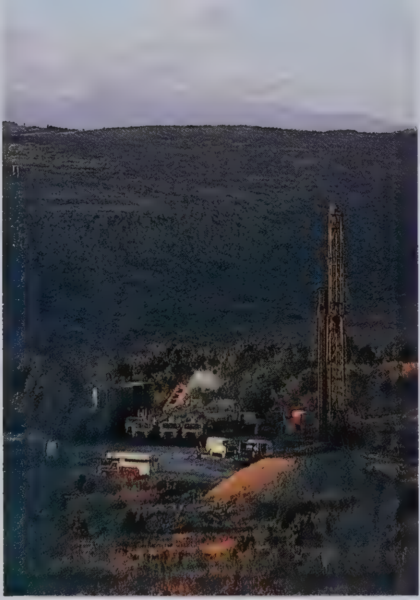
GE's technology-based services and products, such as the fuel bundles above, enhance the performance and reliability of nuclear power plants and save utilities money. Company engineers in San Jose, Calif., for example, use the GE Calma® interactive graphics terminals at right to create fuel designs and other equipment for the Company's boiling water reactors (BWR). During the year, three new BWR power stations entered commercial service in Spain and the United States, and three more loaded fuel in preparation for start-up. In addition, the nuclear services business expanded customer support centers in Chicago, Philadelphia and Atlanta. It also expanded services to manage nuclear plant wastes; continued development efforts with Japan and the United States on advanced reactor technologies; and enhanced its service offerings for the control, measurement and surveillance of nuclear power plant operations.

Our semiconductor, petroleum and trading operations help support the worldwide competitiveness of our 15 key businesses. The semiconductor business is critical to giving GE products a competitive electronics edge. Ladd Petroleum provides a back-up supply of petrochemical feedstock for our $2 billion-plus materials businesses. And our corporate trading operations enhance GE's competitiveness in domestic and international markets.

Semiconductor

The computer-generated image at right can be produced in 1/500th the usual time with a new "graphics processor" from GE's semiconductor business. Using semicustom chips designed and manufactured at the Microelectronics Center in North Carolina, the graphics processor in front of engineering program analyst Van dan Nguyen replaces the powerful computers and extensive software programs normally needed to create fast, high-quality three-dimensional images. Initially, this technology will be used by GE's aerospace business to improve its aircraft and training simulators and by GE's Calma affiliate to produce three-dimensional engineering models that can be updated quickly on a screen. Another semiconductor development in 1985 was the introduction of GE-Smart® intelligent power systems. Based in part on innovations at the Company's R&D Center, GE-Smart systems combine signal-processing with power-switching for motors and other devices. In addition to supplying GE and external customers with sophisticated integrated circuits and other electronic devices, the semiconductor business trains GE engineers in the design and use of electronics.





Ladd Petroleum

This GE affiliate is one of the top 10 independent (non-major) oil and gas producers in the United States. It is also an industry leader in reserve growth and profitable drilling. Ladd's average finding and development costs per barrel have historically been below the industry average, with 1985 marking its lowest cost level in five years.

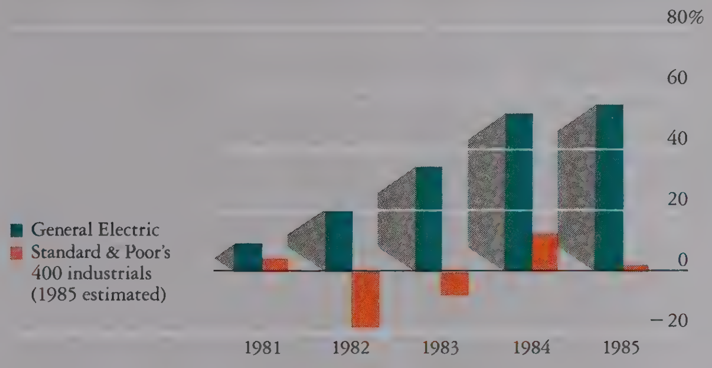
During the year, Ladd made additional discoveries in Texas, Oklahoma and Canada and continued its successful development program in the southwestern area of Colorado shown here. In addition, Ladd acquired a gathering system, pipeline and other selected assets of Funk Exploration, Inc. in Oklahoma to complement its natural gas business.

Trading Operations

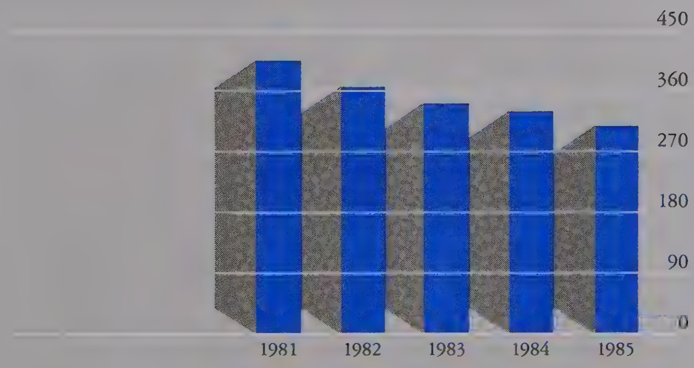
Corporate trading operations combines the resources of the General Electric Trading Company (GETC), the General Electric Supply Company (GESCO) and the corporate sourcing operation to help GE businesses win in today's competitive marketplace. GETC undertakes and fulfills the countertrade, offset and barter obligations that have increasingly become a condition for sales in world markets. In 1985, such goods as steel coil, pipe and boric acid left the Istanbul docks at right and other Turkish ports as countertrade required to support an $800 million GE aircraft engine sale to Turkey. In addition to the Middle East, other major trading areas for GETC — which supported $2.4 billion of GE's export business over the last three years — are Europe and Asia. GESCO has more than 150 outlets throughout the United States to fulfill its role as a leading distributor of GE and non-GE products. The corporate sourcing operation is responsible for consolidating the buying power of GE businesses and for developing, with GETC, a worldwide sourcing network to enhance the competitive leadership of GE products.

Contents

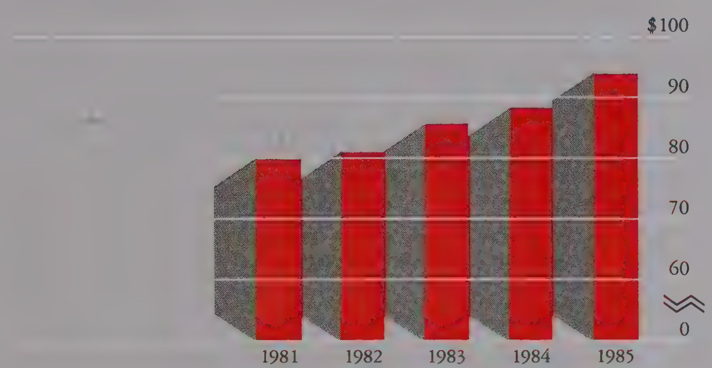
General Electric/S&P 400 annual earnings per share increase/decrease compared to 1980



Average employment (thousands)



Employee productivity (constant dollar sales per employee) (thousands)

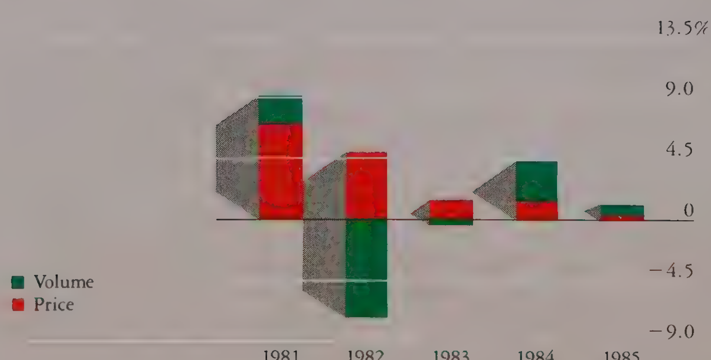


Statement of Earnings

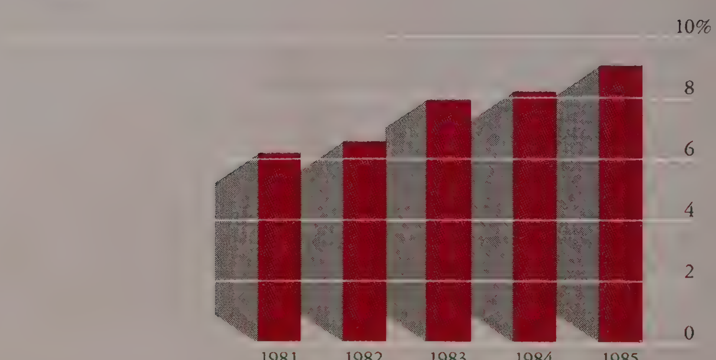
For the years ended December 31 (In millions)	1985	1984	1983
Sales of products and services to customers	$28,285	$27,947	$26,797
Operating costs			
Cost of goods sold	19,775	19,460	18,701
Selling, general and administrative expense	4,349	4,542	4,463
Depreciation, depletion and amortization	1,226	1,100	1,084
Operating costs (notes 3 and 4)	25,350	25,102	24,248
Operating margin	2,935	2,845	2,549
Other income (note 5)	987	989	884
Interest and other financial charges (note 6)	(360)	(333)	(370)
Earnings before unusual items, income taxes and minority interest	3,562	3,501	3,063
Unusual items			
Gains from sales of assets	518	617	117
Provisions for business restructuring activities	(447)	(636)	(147)
Special payment to non-exempt and hourly employees	(93)	—	—
Revaluation of goodwill and intangibles	—	(126)	—
Unusual items (note 7)	(22)	(145)	(30)
Earnings before income taxes and minority interest	3,540	3,356	3,033
Provision for income taxes (note 8)	(1,192)	(1,065)	(975)
Minority interest in earnings of consolidated affiliates	(12)	(11)	(34)
Net earnings	$ 2,336	$ 2,280	$ 2,024
Net earnings per share (in dollars)	$ 5.13	$ 5.03	$ 4.45
Dividends declared per share (in dollars)	$ 2.23	$ 2.05	$ 1.875
Operating margin as a percentage of sales	10.4%	10.2%	9.5%
Net earnings as a percentage of sales	8.3%	8.2%	7.6%

The notes to financial statements on pages 38-51 are an integral part of this statement.

Percent of sales change from previous year



Research and development expense as a percentage of sales



The Statement of Earnings summarizes GE's operating performance over the last three years. Related information can be found in the Letter to Share Owners on pages 2-7, which provides commentary about the Company's strategy and objectives, both long-term and short-term, as well as certain developments in 1985. Additional information about trends in total Company operating performance is in Selected Financial Data on pages 32-33 and information about operations of GE businesses is presented in the Summary of Industry Segments on pages 34-36. Notes to Financial Statements include further details. While earnings growth has been maintained in each of the last three years, significant progress has continued toward Company goals of disposing of businesses that don't fit GE's future and of strengthening the productive capabilities of those that do. The following paragraphs comment on some important features of the items shown in the Statement of Earnings.

- Sales increases were modest in 1985 (up 1% from 1984) and in 1984 (up 4% from 1983), reflecting in part business disposition activity. For example, adjusting for the dispositions in early 1984 of Utah International and the housewares business, sales would have been up 3% in 1985 and 10% in 1984. Several other factors have combined to dampen price and volume growth, displayed in the chart on page 26. These factors have included recent sluggishness in the U.S. and world economies and the continuing impact of the non-competitive U.S. dollar, which attracts a wide array of imports while simultaneously making it more difficult to sell U.S. products overseas.

- Operating margin — sales less all operating costs — was 10.4% of sales in 1985, following the strong 10.2% rate of 1984 and 9.5% in 1983.

- Operating costs include expenditures for research and development, an important aspect of future growth. Total R&D expenditures in 1985 amounted to $2.553 billion, of which $1.069 billion was from Company funds and $1.484 billion was from customer funds. Total R&D increased 11% from 1984, with both types of funding being higher. More important, resources devoted to R&D have increased sharply in recent years, as depicted in the chart on page 26 which shows that total R&D expense as a percentage of sales has grown from 6.2% in 1981 to 9.0% in 1985 — while earnings growth has been maintained.

  Another important operating cost is employee pension expense, which was $496 million in 1985 compared with $603 million in 1984 and $643 million in 1983. Pension costs have been favorably affected by recent higher real returns on pension investments. A significant change in future pension accounting rules has recently been adopted by the Financial Accounting Standards Board, which establishes generally accepted accounting principles in the United States. GE has not yet decided whether it will implement the new rules in 1986 or 1987, nor has it concluded its evaluation of the multiple effects of implementation. However, preliminary indications are that in the near term a significant portion of pension expense will be met from Trust income, including increased recognition of market appreciation.

- Other income was relatively unchanged in total in 1985 following a $105 million increase in 1984 from 1983. Major components of other income include the net earnings of General Electric Financial Services, Inc. (GEFS) and earnings on highly liquid investments. The 26% increase in GEFS earnings in 1985 to $413 million was offset principally by less income from investments (investments on average were lower during 1985 and also earned lower interest rates). In 1984, earnings of both GEFS and short-term investments were substantially above 1983.

- Interest and other financial charges were $360 million in 1985, an increase of $27 million from the previous year. This increase was due mainly to a higher level of average domestic borrowings that was only partly offset by lower interest rates. The reduction ($37 million) in 1984 interest expense from 1983 was because of lower average borrowings, principally by foreign affiliates.

- Unusual items consist of a number of transactions, most of which are related to major changes being made to position the Company for future growth by shifting the business mix to one compatible with long-term strategic objectives and to reorganize and restructure ongoing operations. Unusual gains from sales of assets during the last three years aggregated $1.252 billion, mostly from dispositions of Utah International, the housewares business and virtually all of GE's former broadcasting and cablevision operations. Provisions for business restructuring activities — principally devoted to rationalizing, reorganizing and improving selected production activities; reducing foreign and domestic risk exposures; and phasing out or otherwise concluding other activities — amounted to $1.230 billion in 1983-85. Other unusual costs or charges have included a special, one-time cash payment to certain employees in 1985 following union contract negotiations during the year, and a 1984 downward revaluation of goodwill and intangibles because of rapid changes in certain technology businesses. Note 7 to the financial statements shows annual details of these unusual items, the aggregate effect of which has had only a negligible impact on the Company's net earnings in each of the last three years.

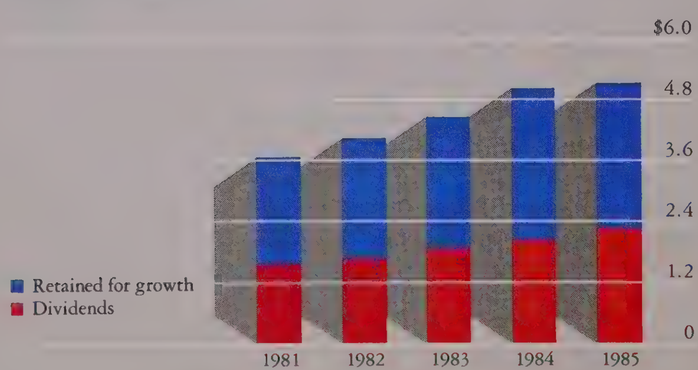
A discussion of the Company's 1985 total tax position is on page 33.

Statement of Financial Position

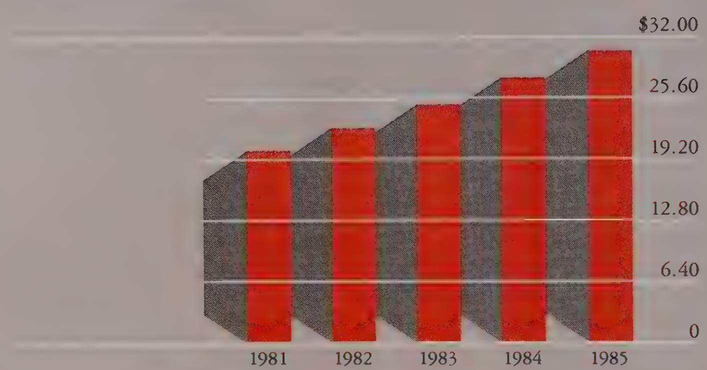
At December 31 (In millions)	1985	1984
Assets		
Cash (note 9)	$ 1,606	$ 1,859
Marketable securities (note 9)	951	514
Current receivables (note 10)	6,040	5,509
Inventories (note 11)	3,949	3,670
Current assets	12,546	11,552
Property, plant and equipment — net (note 12)	8,328	7,690
Funds held for business development (note 13)	726	814
Other investments (note 14)	3,150	2,903
Other assets (note 15)	1,682	1,771
Total assets	$26,432	$24,730
Liabilities and equity		
Short-term borrowings (note 16)	$ 1,297	$ 1,047
Accounts payable (note 17)	2,204	1,931
Progress collections and price adjustments accrued	2,257	2,403
Dividends payable	264	250
Taxes accrued	751	673
Other costs and expenses accrued (note 18)	2,146	2,303
Current liabilities	8,919	8,607
Long-term borrowings (note 19)	753	753
Other liabilities	2,728	2,668
Total liabilities	12,400	12,028
Minority interest in equity of consolidated affiliates	128	129
Common stock (463,282,000 and 462,928,000 shares issued December 31, 1985 and 1984, respectively)	579	579
Other capital	641	640
Retained earnings	12,994	11,667
Less common stock held in treasury	(310)	(313)
Total share owners' equity (notes 20 and 21)	13,904	12,573
Total liabilities and equity	$26,432	$24,730
Commitments and contingent liabilities (note 22)		

The notes to financial statements on pages 38-51 are an integral part of this statement.

Earnings retained for growth and used for dividends (dollars per share)



Share owners' equity per share — December 31 (dollars)



The Statement of Financial Position shows the Company's balance sheet at year-end 1985 compared with the previous year end.

• Cash and marketable securities classified as current assets amounted to $2.6 billion as of December 31, 1985. In addition to these amounts, funds held for business development ($726 million at the end of 1985) consist of investments equally as liquid as current marketable securities but not classified as "current" because, although available, their use during 1986 is not currently planned. The aggregate of these combined, highly liquid assets was $3.3 billion at the end of 1985, up slightly from $3.2 billion the previous year.

• Current receivables are mainly amounts due from customers ($4.6 billion at December 31, 1985, compared with $4.3 billion at the end of 1984) from sales of products and services. Customer receivables as measured by the number of days of billing outstanding generally were better through most of 1985 than in 1984. At December 31, 1985, the number of days billing (42) in customer receivables was three days less than at year-end 1984 and represented the lowest December in at least 15 years. Other measurements related to receivables include delinquency ratios and amounts past due. Although GE's diverse businesses had differing experiences in 1985 in response to varying business conditions in markets served, the overall condition of customer receivables remained excellent at December 31, 1985. Current receivables other than those owed by customers include amounts due from several types of transactions, such as advances to suppliers in connection with major contracts.

• Inventories were $3.9 billion at December 31, 1985, compared with $3.7 billion a year earlier. Total inventories were higher during most of 1985 than in 1984, but by year end were equal to 163 days of output on hand. This was seven days less than the year before. Increases and decreases in inventories varied considerably among GE businesses because of differences in anticipated 1986 customer demand and actual sales during 1985. Major inventory reductions occurred in turbine, nuclear, consumer electronics and major appliance operations, while aircraft engine had a significant increase.

There was a net favorable last-in first-out (LIFO) inventory adjustment to cost of goods sold of $171 million in 1985 compared with similar favorable adjustments of $125 million in 1984 and $114 million in 1983. These amounts include reductions in LIFO reserves ($128 million in 1985, $125 million in 1984 and $132 million in 1983) because of reduced inventory levels in certain businesses, mainly power systems. Also in 1984, the housewares business disposition included LIFO reserves of $32 million.

• Key elements of working capital (receivables and inventories less trade payables and progress collections) "turned over" 4.11 times in 1985. Turnover relates the level of working capital to sales realized during the year. In 1984, average turnover at 4.44 times had been the best in 10 years. Most businesses experienced lower turnover in 1985, mainly because of higher average inventory levels and the working off of progress collections in power systems businesses. Management continues to stress vigorous control of working capital to balance business growth needs against the interest cost on capital lock-up.

• Total debt (short-term and long-term) at 12.7% of total capital at December 31, 1985, remained quite low and results in a basis for significant additional borrowing capacity for such transactions as the proposed acquisition of RCA Corporation (see note 2 to the financial statements). After reviewing the proposed acquisition, the major debt-rating agencies have recently reaffirmed GE's "triple A" debt rating, the highest classification.

• Earnings retained for growth, dividends to share owners and share owners' equity per share ("book value") have grown steadily over the past five years.

In summary, General Electric's financial condition remains strong. The Company's financial resources and liquidity as of December 31, 1985, including highly liquid assets of $3.3 billion, total assets of $26.4 billion, share owners' equity of $13.9 billion and substantial capacity to add necessary debt in addition to existing bank credit lines, are believed to be entirely adequate to:

• Provide for seasonal working capital needs during 1986.

• Pay for plant and equipment expenditures that are expected to be about $1.6 billion during 1986. Estimated future plant expenditures already approved aggregated $1.3 billion at the end of 1985, of which approximately 63% is planned to be spent in 1986.

• Enable the Company to continue a high level of programmed expenses for research and development as well as to support other business growth activities.

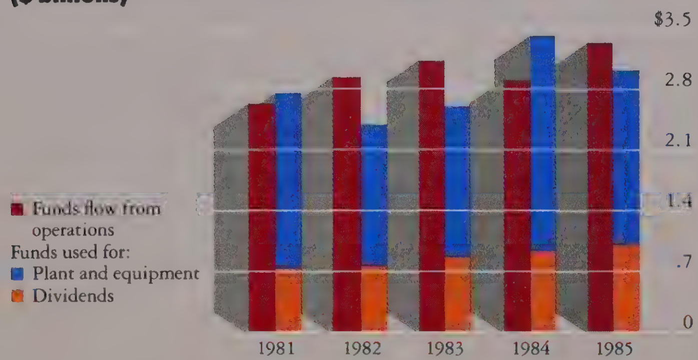
• Complete the proposed acquisition of RCA Corporation. Combined short-term and long-term borrowings to finance the acquisition are expected to be between $5.0 billion and $6.0 billion.

Statement of Changes in Financial Position
Funds provided (used)

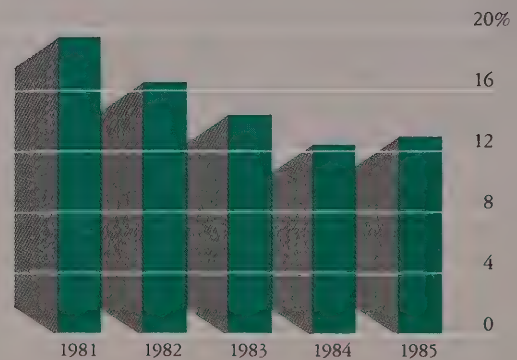
For the years ended December 31 (In millions)	1985	1984	1983
Funds provided from operations			
Net earnings	$2,336	$2,280	$2,024
Adjustments for items not representing current fund usage:			
Depreciation, depletion and amortization	1,226	1,100	1,084
Earnings retained by nonconsolidated financial services affiliates	(411)	(330)	(55)
Income tax timing differences	177	(171)	4
All other operating items	12	11	34
Funds provided from operations	3,340	2,890	3,091
Funds provided from (used for) changes in working capital			
Decrease (increase) in inventories	(279)	(512)	(129)
Decrease (increase) in current receivables	(531)	(260)	(509)
Increase (decrease) in current liabilities other than short-term borrowings	62	(112)	556
Net funds provided from (used for) working capital	(748)	(884)	(82)
Total funds provided from operations and working capital	2,592	2,006	3,009
Funds provided from (used in) investment and other long-term transactions			
Additions to property, plant and equipment	(2,038)	(2,488)	(1,721)
Dispositions of property, plant and equipment	142	1,346	209
Use of (additions to) funds held for business development	88	(359)	(455)
Additional investments in nonconsolidated financial services affiliates	—	—	(228)
All other transactions — net	167	454	158
Net investment transactions	(1,641)	(1,047)	(2,037)
Funds provided from (used in) financial transactions			
Disposition of GE shares from treasury	286	254	238
Purchase of GE shares for treasury	(283)	(284)	(319)
Increase in long-term borrowings	171	80	52
Decrease in long-term borrowings	(171)	(242)	(152)
Net financial transactions	3	(192)	(181)
Funds used for dividends declared	(1,020)	(930)	(852)
Net increase (decrease) in funds	$ (66)	$ (163)	$ (61)
Analysis of net change in funds			
Increase (decrease) in cash and marketable securities	$ 184	$ (132)	$ (82)
Decrease (increase) in short-term borrowings	(250)	(31)	21
Increase (decrease) in funds	$ (66)	$ (163)	$ (61)

The notes to financial statements on pages 38-51 are an integral part of this statement.

Comparison of funds flow from operations with funds used for dividends and property, plant and equipment ($ billions)



Borrowings as a percentage of total capital invested



The Statement of Changes in Financial Position summarizes the main sources of the Company's funds and the uses to which they have been put. This Statement helps to show the relationship between operations, which are presented in the Statement of Earnings, and liquidity and financial resources, which are depicted in the Statement of Financial Position.

- "Funds" as used in this Statement, with changes summarized at the bottom, consist only of amounts classified as current. At year-end 1985, these were cash ($1.606 billion) plus marketable securities expected to be used during 1986 ($951 million) less short-term borrowings, i.e., those due to be paid during the next year ($1.297 billion). Changes in other highly liquid funds that are expected to be used longer-term (funds held for business development — $726 million at December 31, 1985) are treated as a provider or user of the more current "funds."

- Operations have been GE's principal source of funds, ranging between $2.9 billion and $3.3 billion for the last three years. Details of the composition of funds provided from operations, starting with net earnings, are shown at the top of the Statement.

- Working capital can be either a provider or user of funds. In GE's case, working capital assets — receivables and inventories — have been increased in each of the last three years in order to maintain earnings growth while minimizing unnecessary lock-up of funds as discussed on page 29.

- Investment transactions involve inflows and outflows of funds with longer-term effects. Additions to property, plant and equipment have been GE's principal use of long-term funds for many years. Although down from 1984's record $2.5 billion, 1985 plant and equipment expenditures of $2.0 billion were still substantial and brought the five-year reinvestment in GE's productive capacity to almost $10 billion. Of that total, 29% was to increase capacity; 25% was to increase productivity; 16% was to support new business start-ups; 12% was to replace and renew older equipment; and 18% was for projects involving such other activities as improving R&D facilities and safety and environmental protection.

  Dispositions of property, plant and equipment provided considerably more funds in 1984 than in other years, principally because they included the effect of disposing of the fixed assets of Utah International. The impact of all dispositions, including Utah, affects most of the lines in this Statement.

  Funds held for business development are discussed above.

  There have been no additional investments in nonconsolidated financial services affiliates since 1983. Those affiliates retained their earnings for 1984 and 1985 to finance their own capital needs.

- Financial transactions have not been a significant source of funds for GE in recent years, and the ratio of debt to total capital remains very low. However, in 1986 it is expected that significant amounts of new long-term borrowings will be needed to complete the proposed acquisition of RCA Corporation.

- Dividends declared totaled $1.020 billion in 1985. At $2.23 per share (up 18 cents), 1985 marked the 10th consecutive year of increased dividends for share owners. GE's policy is to maintain dividend growth while at the same time retaining sufficient earnings to enhance productive capability and to provide adequate financial resources for growth opportunities.

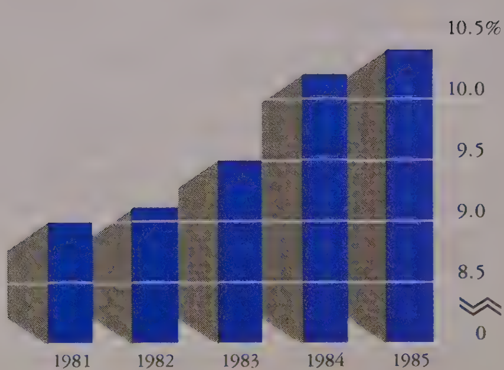
A recapitulation for the last five years shows that GE and its consolidated affiliates have generated funds of $14.9 billion from operations. This has covered cumulative usage of $14.2 billion devoted to recurring needs for new and improved property, plant and equipment and for dividends to share owners. Net funds activity for all other purposes — future business development, additional working capital, debt reduction, corporate restructuring programs, business dispositions — resulted in an aggregate use over the past five years of $578 million. As a result, net funds at December 31, 1985, were $152 million more than at the beginning of 1981. A discussion of combined funds flow activity for GE and *nonconsolidated* affiliates follows the discussion of GE's total tax position on page 33.

Selected Financial Data

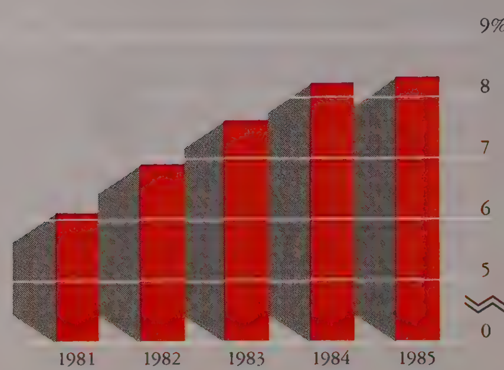
(Dollar amounts in millions; per-share amounts in dollars)	1985	1984	1983	1982	1981
Sales of products and services to customers	$ 28,285	$ 27,947	$ 26,797	$ 26,500	$ 27,240
Operating margin	2,935	2,845	2,549	2,405	2,447
Earnings before unusual items, income taxes and minority interest	3,562	3,501	3,063	2,753	2,660
Unusual items — net (before taxes)	(22)	(145)	(30)	—	—
Earnings before income taxes and minority interest	3,540	3,356	3,033	2,753	2,660
Net earnings	2,336	2,280	2,024	1,817	1,652
Net earnings per share	$ 5.13	$ 5.03	$ 4.45	$ 4.00	$ 3.63
Dividends declared per share	$ 2.23	$ 2.05	$ 1.875	$ 1.675	$ 1.575
Operating margin as a percentage of sales	10.4%	10.2%	9.5%	9.1%	9.0%
Net earnings as a percentage of sales	8.3%	8.2%	7.6%	6.9%	6.1%
Net earnings on average share owners' equity	17.6%	19.1%	18.9%	18.8%	19.1%
Dividends declared	$ 1,020	$ 930	$ 852	$ 760	$ 715
Shares outstanding — average (in thousands)	455,381	453,680	454,768	454,078	455,056
Share owner accounts — average	506,000	520,000	501,000	502,000	514,000
Market price range per share	$ 73⅞-55⅝	$ 59⅜-48¼	$ 58⅞-45⅜	$ 50-27½	$ 35-25⅝
Short-term borrowings	$ 1,297	$ 1,047	$ 1,016	$ 1,037	$ 1,171
Long-term borrowings	753	753	915	1,015	1,059
Minority interest in equity of consolidated affiliates	128	129	168	165	166
Share owners' equity	13,904	12,573	11,270	10,198	9,128
Total capital invested	$ 16,082	$ 14,502	$ 13,369	$ 12,415	$ 11,524
Return on average total capital invested	16.5%	17.9%	17.5%	17.1%	17.4%
Total assets	$ 26,432	$ 24,730	$ 23,288	$ 21,615	$ 20,942
Property, plant and equipment additions	$ 2,038	$ 2,488	$ 1,721	$ 1,608	$ 2,025
Worldwide employment — average	304,000	330,000	340,000	367,000	404,000
Year-end orders backlog	$ 23,117	$ 22,577	$ 20,589	$ 19,723	$ 21,005

Share data have been adjusted for the 2-for-1 stock split in April 1983.

Operating margin as a percentage of sales



Net earnings as a percentage of sales



Selected Financial Data provides both a handy reference for some data frequently requested about GE and also a record that may be useful in reviewing trends.

• Operating margin as a percentage of sales has increased four consecutive years. A major reason for this improvement has been the marked increase in productivity per employee (see charts on page 25). This improvement stems from consistent, continuing emphasis on improving cost structure, including substantial investment in better plant and equipment and highly selective resource allocation.

• Net earnings as a percentage of sales has increased considerably. Despite major economic and market variations in the last five years, GE's earnings have grown at a pace substantially greater than the earnings changes for the aggregate of the 400 companies making up Standard & Poor's Index of U.S. industrial firms. GE's net earnings in 1985 were 54% more than they were in 1980, while the S&P 400 was virtually unchanged (only 2% more than for 1980). The chart on page 25 shows GE's consistent earnings growth since 1980 compared with the erratic performance, including lower earnings in 1982 and 1983, for the S&P industrial composite.

• General Electric's total tax position for 1985, including those affiliates which are consolidated for tax but not for financial reporting purposes (General Electric Financial Services, Inc. and its two affiliates, General Electric Credit Corporation and Employers Reinsurance Corporation), follows.

Total GE taxes (In millions)	For the year ended December 31, 1985
Provision for U.S. federal income taxes:	
Estimated amount payable (GE and consolidated affiliates)	$ 842
Estimated amount recoverable (nonconsolidated affiliates)	(584)
Net U.S. federal income taxes payable	258
Effect of timing differences and deferred investment tax credit	772
Total provision for U.S. federal income taxes	1,030
All other taxes (Social Security; foreign, state and local income; property and franchise; sales and use)	1,079
Total taxes payable currently or in the future	$2,109

In 1985, GE (including both consolidated and nonconsolidated affiliates) provided an aggregate of $2.1 billion for taxes of all types payable currently or in the future.

The amount of U.S. federal income taxes recoverable by nonconsolidated affiliates arises primarily from General Electric Credit Corporation's leasing activities. GECC's successful leasing business has grown in recent years partly as a result of U.S. tax policy aimed at making American business more competitive by encouraging productive investments in plant and equipment. Leasing from GECC has offered a broad range of companies an attractive, cost-effective way to meet capital equipment needs. Because GECC bears the risks of ownership associated with the equipment it leases to customers, GECC realizes investment tax credits and the benefits of the Accelerated Cost Recovery System which Congress has established as tax incentives. It is important to remember that GECC's past and current leasing activities will result in significant taxable income in future years. The 1985 increase in the future obligation is included in the $772 million shown for the effect of timing differences.

• GE's discretionary funds available for acquisitions have been generated principally by asset sales from its restructuring program, not from deferring federal tax payments. GE and GEFS together generated funds from operations of $25.5 billion over the last five years. GEFS financings aggregated $8.8 billion. These funds were used to pay taxes ($5.6 billion), to invest in capital assets ($25.8 billion, including working capital) and to pay dividends to share owners ($4.3 billion). Of the capital investments, $9.9 billion was used in modernizing GE's own facilities. Also, $14.3 billion was invested in financing assistance provided by GECC to numerous companies to finance their capital needs. Much of this latter investment was in the form of leased equipment to companies that did not have the financial resources to acquire equipment needed to operate their businesses. These investments generated tax credits and depreciation deductions of $3.4 billion, which effectively offset federal income taxes payable during the period of investment. However, the payment of federal taxes was merely postponed and income produced from these investments will result in higher taxes in future years. Thus, GE and GEFS together actually spent $1.4 billion more than was generated from internal operations and tax deferrals. The increase in discretionary funds available of some $2.4 billion over this five-year period is attributable to major asset sales.

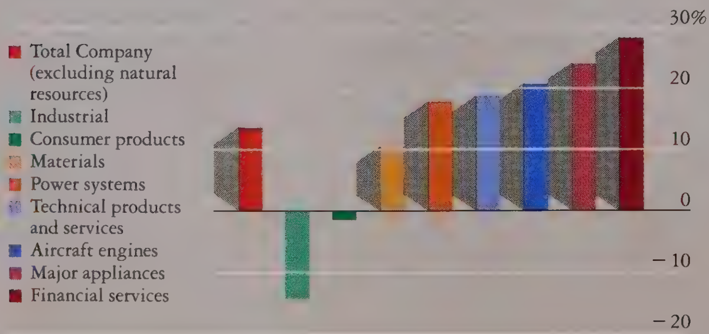
• Inflation-adjusted results for GE are presented in note 25 to the financial statements. Because the rate of inflation in the United States has remained at relatively low levels for the past four years, adjustments for inflation have not been as significant as those experienced in the late 1970s and early 1980s. Although inflation-adjusted earnings are always lower than reported earnings, the generally positive trend in GE's reported earnings is also evident in earnings after removing the effects of inflation.

Summary of Industry Segments

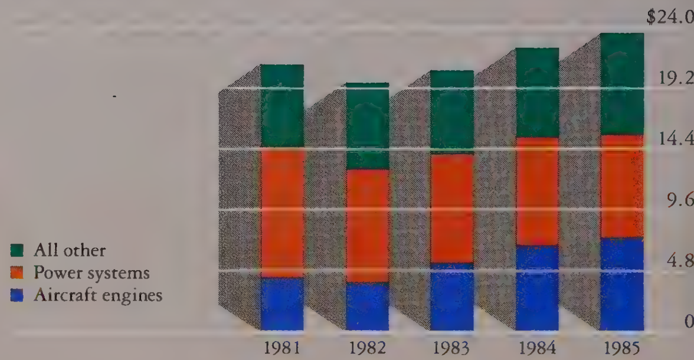
For the years ended December 31 (In millions)	1985	1984	1983	1982	1981
Revenues (sales plus other income)					
Consumer products	$ 3,569	$ 3,858	$ 3,741	$ 3,943	$ 4,202
Major appliances	3,617	3,650	3,078	2,751	3,132
Industrial	4,571	4,274	4,228	4,705	5,364
Power systems	5,552	6,010	5,878	6,093	6,015
Aircraft engines	4,712	3,835	3,495	3,140	2,950
Materials	2,459	2,241	2,060	1,791	2,050
Technical products and services	5,197	4,803	3,823	3,546	3,005
Financial services	499	448	397	286	239
Natural resources	—	609	1,579	1,575	1,722
Corporate items and eliminations	(904)	(792)	(598)	(638)	(825)
Total	$29,272	$28,936	$27,681	$27,192	$27,854
Net earnings					
Consumer products	$ 217	$ 228	$ 163	$ 146	$ 225
Major appliances	224	223	156	79	82
Industrial	143	73	84	148	212
Power systems	449	486	439	384	242
Aircraft engines	381	251	196	161	149
Materials	266	262	182	148	189
Technical products and services	261	232	210	218	144
Financial services	406	336	285	203	145
Natural resources	—	117	301	318	284
Unusual items	7	—	—	—	—
Corporate items and eliminations	(18)	72	8	12	(20)
Total	$ 2,336	$ 2,280	$ 2,024	$ 1,817	$ 1,652

See pages 47-50 for additional segment information.

Five-year net earnings growth rates (1981-85) by segment and total Company



Year-end orders backlog ($ billions)



The Summary of Industry Segments groups General Electric's revenues and net earnings by the principal industries in which GE's various businesses participate. These differ from the groupings by "circles" noted earlier in this Report. The circles focus on key businesses in terms of strategy considerations involving resource allocation and help to emphasize long-term goals. Additional financial details and information about industry segments are included on pages 47-49.

• The five-year net earnings average annual growth rate for GE, excluding natural resources, was 13.7%. The chart on page 34 shows how growth rates varied by segment. (Data exclude the former natural resources segment because most of that segment consisted of the mining operations of Utah International that were disposed of in 1984 and 1985.) Economic conditions have affected GE's businesses in different ways. Usually, those that are driven directly or indirectly by consumer purchases (such as consumer products, major appliances and materials) see a recessionary impact almost immediately in slackening sales, while those more oriented toward commercial and industrial markets generally lag both an economic slowdown and subsequent recovery. There was an economic recession in the United States from the third quarter of 1981 to the last quarter of 1982. Also, U.S. economic performance was sluggish during 1985, with generally soft consumer markets and continued weakness in many industrial markets.

A number of GE's businesses are not affected directly by short-term recession and recovery but are affected by different economic cycles. These include much of the power systems business (where long-term public utility order trends are reflecting much lower growth in electrical load demand than has been realized historically); businesses having a heavy national defense orientation, including aerospace and military aircraft engines; and those operating in unique markets, such as the rapidly changing and growing environments for financial services, medical systems, information services and commercial aircraft engines. Also, generally poor international markets, especially in Latin America, have prevailed in recent years, and markets for U.S. exports have been increasingly battered by the non-competitive U.S. dollar.

• Trends in orders backlogs are also charted on page 34. Products and services sold by GE have a wide range of order-to-shipment cycles. Approximately 51% of the total backlog of $23.1 billion at December 31, 1985, is scheduled to be shipped in 1986. Aircraft engine orders accounted for $7.5 billion of the orders backlog at December 31, 1985. Virtually all of the 1985 aircraft engine backlog is to be filled during the next five years. Power systems orders accounted for $9.0 billion of the total year-end 1985 backlog. Included in power systems backlogs were: $2.0 billion for steam turbine-generators and $3.0 billion for nuclear fuel, services and products. Approximately $0.8 billion and $1.9 billion of the December 31, 1985, steam turbine and nuclear backlogs, respectively, were scheduled for shipment five years or more in the future.

• **Consumer products** earnings and revenues were 5% and 7% lower, respectively, in 1985 than in 1984. The principal reason for lower 1985 earnings was the loss sustained by consumer electronics, which had a profit in 1984. Losses reflected significantly lower prices, stemming from an industrywide oversupply of color television sets, which were offset only partially by productivity improvements. Lighting earnings were up slightly on flat revenues as programs to improve factory efficiencies continued to have a beneficial impact. Reflecting cost takeouts and productivity gains, mobile communications was modestly profitable in 1985 following a loss in 1984. Revenues and earnings of the battery business trailed 1984.

• **Major appliance** earnings and revenues in 1985 were about even with 1984. Domestic volume in 1985 was slightly ahead of 1984's strong performance, but soft U.S. markets resulted in lower prices and offshore sales declined. Principal factors in much better profitability since 1982 have been sharp improvements in productivity and excellent product quality that reduces in-warranty service costs.

• **Industrial** earnings in 1985 virtually doubled 1984 on 7% higher revenues. The major contribution to the much improved earnings came from factory automation businesses, which became profitable in the latter part of 1985 with an earnings improvement of $40 million for the year. Reflecting several years of programmed actions to improve efficiencies, transportation systems had much better earnings in 1985 on only slightly higher revenues. Construction equipment earnings also were much better in 1985 on a good sales increase. Motor earnings were up somewhat on productivity gains partially offset by lower volume. Lower volume and prices for semiconductors resulted in an increased loss in 1985.

• **Power systems** earnings and revenues in 1985 were both 8% less than in 1984. With a long-term downward trend in domestic markets for heavy electrical generating apparatus, turbine and nuclear earnings were considerably below the previous year despite productivity improvements. Construction and engineering services sales were down but earnings improved sharply as base costs were lowered, particularly in offshore operations. Also, base cost reductions, coupled with somewhat higher volume in meters and transformers, resulted in a good earnings improvement for power delivery in 1985.

• **Aircraft engine** earnings were up 52% in 1985 on 23% greater revenues. Earnings leverage from higher 1985 volume more than offset continued large development costs for the CF6-80C, CFM-56 and Unducted Fan engines. Sales of engines to both commercial and military customers have risen steadily over the past five years. Significantly higher earnings since 1980 reflect greater volume and have been achieved despite substantial research and development expenditures and investment in plant modernization and capacity expansion, which are necessary to provide and maintain production efficiency and the advanced technology needed by all aircraft engine customers.

• **Materials** businesses earnings were 2% ahead of 1984 on a 10% revenue increase. There was strength throughout 1985 in automotive markets for high-performance plastics, although other plastics markets were weak, and total plastics earnings were up slightly. In engineered materials, earnings were off in all businesses as lower volume and prices in 1985 more than offset productivity improvements. Ladd Petroleum earnings in 1985 more than offset start-up losses incurred in ceramics.

• **Technical products and services** earnings and revenues in 1985 increased 13% and 8%, respectively, from the previous year. Aerospace had sharply higher earnings on improved cost performance and a good revenue increase. Medical systems results, reflecting a shift in emphasis to magnetic resonance (MR) imaging as markets for computed tomography have matured, were slightly ahead of 1984, which had been affected by substantial start-up costs for the newer technology. Information services, whose markets are continuing to change rapidly because of new technologies and communications deregulation in recent years, had flat earnings on somewhat lower sales. Interactive graphics operations (Calma Company) had lower revenues and sustained a much higher loss in 1985, reflecting management's actions to redirect the business with greater emphasis on research and development.

• **Financial services** earnings in 1985 again reached new highs on a 21% increase from 1984. General Electric Credit Corporation's earnings rose to $377 million from $320 million a year earlier on an 18% increase in earning assets that are principally investments which provide productive capacity to firms other than GE. Employers Reinsurance Corporation experienced better property and casualty markets in 1985 and contributed $36 million to 1985 earnings, after taking into account all costs of acquiring this leading reinsurer in mid-1984.

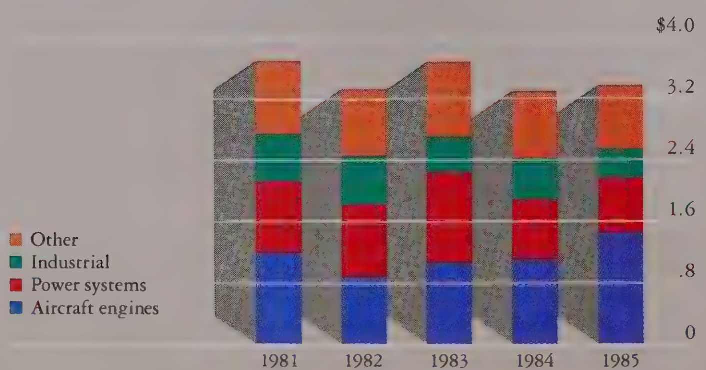
Unusual items in 1985 again had a negligible effect on the Company's net earnings. Corporate items and eliminations in 1985 were at normal levels following the inclusion in 1984 in this category of temporarily high interest income from cash proceeds from the sale of most of Utah.

• GE's exports to external customers totaled $3.3 billion in 1985, up slightly from 1984. The chart below shows the major contributors to GE's exports for the past five years. Aircraft engines have grown substantially in importance since 1982, while power systems products have declined since the peak in 1983. Export margins overall have been declining due to the continued impact of the noncompetitive U.S. dollar vis-à-vis many foreign currencies and worldwide competition for today's sophisticated technological offerings. Export sales by major world areas can be found on page 50. Unfilled export orders of $4.7 billion at the end of 1985 were about the same as in each of the two prior years.

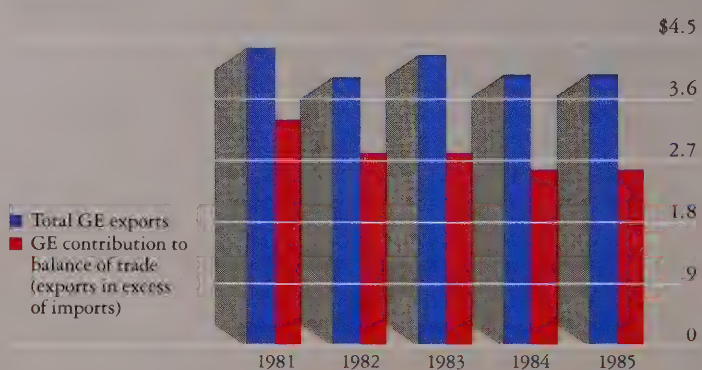
• GE's contribution to the U.S. balance of trade continues to be positive. Total exports ($4.0 billion in 1985) include sales to external customers plus exports to affiliates. Total imports aggregated $1.4 billion in 1985, for a net positive balance of $2.6 billion.

GE's total international operations (exports plus foreign affiliates) had revenues of $7.1 billion and net earnings of $351 million in 1985 compared with revenues of $7.7 billion and net earnings of $419 million in 1984.

U.S. exports to external customers ($ billions)



Balance of trade ($ billions)



Statement of Financial Responsibility

To Share Owners of General Electric Company
The financial information in this Report, including the audited financial statements, has been prepared by General Electric management. Preparation of these statements and data involves estimates and the use of judgment. Accounting principles underlying the financial statements are generally accepted in the United States and are consistent with standards issued by the International Accounting Standards Committee. However, in a few important instances, which are commented on in note 1 on page 38, there is no single specified accounting principle or standard. Where management makes a choice from reasonable, accepted alternatives, it uses methods which it believes are prudent for GE.

To safeguard share owner assets, it is important to have a sound but dynamic system of internal financial controls and procedures which balances benefits and costs. One of the key elements of GE's internal financial controls has been the Company's success in recruiting, selecting, training and developing professional financial managers. Their responsibilities include implementing and overseeing the financial control system, reporting management's stewardship of the assets entrusted to it by share owners, and accurate and proper maintenance of the accounts.

Management has long recognized its responsibility for conducting the Company's affairs in an ethical and socially responsible manner. The commitment to this responsibility is reflected in key written policy statements. These cover, among other subjects, potentially conflicting outside business interests of employees, compliance with antitrust laws and proper domestic and international business practices. General Electric's intention to maintain the highest standards of conduct and practices with respect to transactions with the United States government was reaffirmed in a written policy in 1985. This policy and related vigorous actions emphasize to all employees that even the appearance of impropriety can erode public confidence in the Company and in the government procurement process. Ongoing education, communication and review programs are designed to create a strong compliance environment and to make it clearly understood that deviation from Company policies will not be tolerated.

Peat, Marwick, Mitchell & Co. provide an objective, independent review of management's discharge of its obligations relating to the fairness of reported operating results and financial condition. Their report for 1985 again took no exceptions to the Company's financial statements.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal, on behalf of share owners, of the effectiveness of the independent public accountants, the Company's staff of corporate auditors and GE management, with respect to preparation of financial statements, and of the adequacy of internal financial controls. The committee also reviews the Company's accounting policies, internal accounting controls, and the Annual Report and proxy material.

Dennis D. Dammerman
Senior Vice President
Finance

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

February 14, 1986

Report of Independent Certified Public Accountants

To Share Owners and Board of Directors of General Electric Company
We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1985 and 1984, and the related statements of earnings and changes in financial position for each of the years in the three-year period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements appearing on pages 26, 28, 30 and 38-51 present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1985 and 1984, and the results of their operations and the changes in their financial position for each of the years in the three-year period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
345 Park Avenue, New York, N.Y. 10154

February 14, 1986

1 Summary of significant accounting policies

• Consolidation. The financial statements represent the adding together of General Electric Company and all companies, except financial services companies, which GE controls through a majority interest or otherwise ("affiliated companies"). The effect of transactions among related companies is eliminated.

The principal financial services affiliate is General Electric Financial Services, Inc. (GEFS), a wholly owned company which in turn owns all of the stock of General Electric Credit Corporation and Employers Reinsurance Corporation. These financial services companies are so different from the other GE companies that their financial statements are more understandable if shown separately. Therefore, separate condensed statements of GEFS are shown in note 14 and the nonconsolidated financial services affiliates are included on the equity basis as "one line" in other investments in the Statement of Financial Position and in other income in the Statement of Earnings.

Companies in which GE owns between 20% and 50% ("associated companies") are also included on a "one line" basis.

• Sales. A sale is recorded only when title passes to customers or when services are performed in accordance with contracts.

• Investment tax credit (ITC). The ITC for each year is deferred and then amortized as a reduction of the provision for income taxes over the lives of the facilities to which the credit applies.

• Inventories. The values of most inventories are determined on a last-in first-out, or LIFO, basis and do not exceed realizable values.

• Depreciation, depletion and amortization. The cost of most manufacturing plant and equipment is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided. The full-cost accounting method is used for oil and gas properties. The cost of mining properties of Utah International Inc. was depreciated, depleted or amortized mainly by the unit-of-production method. Mining exploration costs were charged directly to expense until development of a specific mineral deposit was likely to be economically feasible. After such determination, all related development costs were capitalized and subsequently amortized over the productive life of the property, commencing with the start-up of production.

• Pensions and other retiree benefits. Accounting policies for pensions and other retirement benefits are discussed in note 4.

2 Proposed acquisition

On December 11, 1985, the Boards of Directors of General Electric Company and RCA Corporation (RCA) approved a definitive agreement by which GE will acquire RCA through a merger. RCA share owners subsequently approved the agreement on February 13, 1986. Under the terms of the agreement, GE will pay $66.50 a share in cash, totaling approximately $6.3 billion, for outstanding shares of RCA common stock. GE will also pay approximately $148 million in cash for outstanding shares of two classes of RCA preferred stock. GE also has received options to buy an aggregate of 28.3 million shares of presently unissued RCA common stock for $53.125 per share exercisable at GE's discretion upon the occurrence of certain events. As part of a proposed settlement of litigation which includes a challenge to the validity of these options, upon obtaining judicial approval, the option price would be increased to $59.75 per share.

Financing for consummation of the merger is planned to come from a combination of internal funds and external borrowings. The terms on which external funds would be obtained and the sources involved have not yet been determined. Combined short-term and long-term borrowings to finance the acquisition are expected to be between $5.0 billion and $6.0 billion.

Completion of the merger is subject to certain remaining conditions, which include review or approval of the transaction by various governmental agencies and receipt of approval from the Federal Communications Commission. It is anticipated that the transaction will be completed in the second half of 1986.

3 Operating costs

Total operating costs, summarized by the principal objectives for which the expenditures were made, are shown in the table below. The table also shows selected supplemental details of certain ongoing expenses.

Operating cost details

(In millions)	1985	1984	1983
Employee compensation, including benefits	$10,468	$10,939	$10,500
Materials, supplies, services and other costs	13,688	13,311	12,476
Depreciation, depletion and amortization	1,226	1,100	1,084
Taxes, except Social Security and those on income	247	264	317
Less increase in inventories during the year	(279)	(512)	(129)
Total operating costs	$25,350	$25,102	$24,248
Supplemental details:			
Company-funded research and development	$1,069	$1,038	$919
Maintenance and repairs	692	744	882
Social Security taxes	626	616	579
Advertising	367	356	363

4 Pensions and other retiree benefits

General Electric and its consolidated affiliates sponsor a number of pension plans. The costs of these plans were $496 million in 1985, $603 million in 1984 and $643 million in 1983.

• General Electric Pension Plan (the "Pension Plan") is the most significant pension plan and substantially all employees in the United States are participants. The projected unit credit method, which recognizes the effect of future compensation and service of employees, is used to determine trust funding and pension cost. Changes in pension benefits allocable to previous service of employees give rise to prior-service costs which are amortized over 20 years. Gains and losses which occur because actual experience differs from amounts assumed are amortized over 15 years.

Pension Plan benefits are funded through the General Electric Pension Trust (the "Trust"). The "carrying value" of investments is amortized cost plus recognition of appreciation in the common stock portfolio on a systematic basis which does not give undue weight to short-term market fluctuations. Investment income of the Trust, including systematic recognition of common stock appreciation, as a percentage of the average carrying value of the portfolio was 11.5% in 1985, 10.3% in 1984 and 10.8% in 1983.

• A comparison of the present value of Pension Plan benefits with carrying value of Trust assets is shown in the table below.

General Electric Pension Plan

December 31 (In millions)	1985	1984	1983
Present value of benefits attributed to employee service to date, recognizing projected compensation and service	$11,598	$11,116	$10,604
Carrying value of Trust assets	10,924	9,704	8,590
Unfunded benefit obligation	$ 674	$ 1,412	$ 2,014
Persons receiving pensions at year end	111,200	103,800	97,800

The funding program and Company cost determination for the Pension Plan use 8.0% (7.5% in 1984 and 1983) as the estimated rate of future Trust income, except for the effect of a dedicated portfolio. This fixed-income portfolio, consisting of securities backed by the U.S. Treasury, was dedicated in 1984 to the payment of certain future pension benefits. The carrying value of Trust assets at the end of 1985 included $935 million for this portfolio. The 13.4% rate of return on the dedicated portfolio was a factor in determining the present value of plan benefits.

The change in the estimated rate of future Trust income, the full-year impact of the dedication, and amortization of continued favorable Trust income experience were the principal causes of the 1985 reduction in pension costs. Pension cost as a percentage of compensation was 5.9% in 1985 (6.9% in 1984 and 8.1% in 1983).

• The General Electric Supplementary Pension Plan, an unfunded plan providing supplementary retirement benefits primarily to long-service professional and managerial employees in the United States, is another significant plan. Changes in prior-service costs along with other gains and losses are amortized over a period of 20 years. Current service costs and amortization are charged to costs currently and are recorded as Company liabilities.

• A calculation and disclosure of the present value of accumulated plan benefits is required by Statement of Financial Accounting Standards No. 36 (SFAS 36). The SFAS 36 benefit amounts shown on the following page differ from the data shown earlier in this note for the General Electric Pension Plan because the SFAS 36 amounts are based only on compensation and service to date (i.e., they exclude the

expected effect of future compensation and service) and because benefits applicable to the Supplementary Plan are included. In addition, the table below shows the current value of Trust assets plus accruals. General Electric believes funding comparisons for the Pension Plan shown earlier in this note are more realistic because the benefit amounts include the expected effect of future compensation and service, and because Trust assets are valued on a basis which reduces the impact of short-term market fluctuations. The interest rate assumptions used in determining the present value of benefits are the same as discussed previously for the Pension Plan.

General Electric Pension Plan and Supplementary Pension Plan

December 31 (In millions)	1985	1984	1983
SFAS 36 estimated present value of accumulated plan benefits:			
Vested benefits	$ 8,764	$ 8,331	$ 7,939
Non-vested benefits	744	709	557
Total accumulated benefits	$ 9,508	$ 9,040	$ 8,496
Current value of Trust assets plus accruals	$14,727	$11,695	$10,172

The change in the estimated rate of future Trust income in 1985 reduced the present value of total accumulated benefits by $457 million. Partially offsetting this reduction was the impact of 1985 Plan amendments. The current value of Trust assets includes unrecognized appreciation of $3,438 million, principally resulting from strong investment market performance during the last four years.

• Condensed financial statements for the General Electric Pension Trust, which are not consolidated with those of the Company, follow.

General Electric Pension Trust

Net assets at current value

December 31 (In millions)	1985	1984	1983
U.S. government obligations and guarantees	$ 2,785	$ 2,238	$2,004
Corporate bonds and notes	1,770	1,076	1,037
Real estate and mortgages	1,660	1,976	1,341
Common stocks and other equity securities	7,541	5,782	5,180
	13,756	11,072	9,562
Cash and short-term investments	514	145	256
Other assets — net	92	133	68
Net assets	$14,362	$11,350	$9,886

Change in net assets at current value

For the year (In millions)	1985	1984	1983
Net assets at January 1	$11,350	$ 9,886	$8,440
Company contributions	434	503	545
Employee contributions	107	101	87
Investment income	1,176	931	857
Benefits paid	(497)	(421)	(376)
Unrecognized portion of change in current value	1,792	350	333
Net assets at December 31	$14,362	$11,350	$9,886

• Retiree health care and life insurance benefits. General Electric and its affiliates have a number of plans providing retiree health care and life insurance benefits. The cost of the principal U.S. plans was $74 million in 1985 and $138 million in 1984. A reduction in life insurance reserve requirements attributable to an updating of mortality assumptions was the principal cause of the decrease.

Generally, employees who retire or terminate after qualifying for optional early retirement under the General Electric Pension Plan are eligible to participate in retiree health care and life insurance benefit plans. Health care benefits for medical and dental expenses incurred by eligible retirees under age 65 and eligible dependents are included in Company costs as covered expenses are actually incurred. For eligible retirees and spouses over age 65, scheduled hospital benefits which supplement Medicare and scheduled prescription drug benefits are provided, and the present value of future benefits is funded or accrued by the Company and included in Company costs in the year the retiree becomes eligible for benefits. The present value of life insurance benefits for eligible retirees is funded and included in Company costs in the year of retirement.

Most retirees outside the United States are covered by government programs. Accordingly, the Company's direct cost for non-U.S. retiree health care and life insurance is not significant.

5 Other income

(In millions)	1985	1984	1983
Net earnings of General Electric Financial Services, Inc.	$413	$329	$271
Income from:			
Marketable securities and bank deposits	258	323	239
Royalty and technical agreements	78	83	58
Customer financing	66	75	69
Associated companies	37	33	59
Other investments: Interest	23	19	28
Dividends	11	11	11
Other sundry items	101	116	149
	$987	$989	$884

6 Interest and other financial charges

Interest capitalized on major property, plant and equipment and real estate development projects was $33 million in 1985, $22 million in 1984 and $19 million in 1983.

7 Unusual items

Unusual items include pretax gains from certain asset sales and pretax expense provisions for costs of several different types of transactions. Gains from sales of assets which management has determined are not complementary to the Company's future business focus were $518 million in 1985, $617 million in 1984 and $117 million in 1983. Total unusual expenses aggregated $540 million in 1985, $762 million in 1984 and $147 million in 1983. Details of these unusual gains and expenses follow. Pretax gains have been less than pretax charges for each of the last three years. However, because of differing income tax rates applicable to the various transactions, the effect on the Company's earnings after taxes was negligible in all three years.

- *Unusual gains in 1985 arose from:*

Sale of the 15.5% interest in Australian coal properties which had been retained at the time of the disposition in 1984 of most of Utah International Inc. The 1985 sales were to three buyers for cash amounting to $387 million and occurred in the second and third quarters. The gain from these three transactions was $247 million before taxes. The contribution to GE's operating results from these interests during the portion of 1985 prior to their disposition was not significant.

Disposition of the remaining 37% of GE's interest in the cablevision company into which GE's former cablevision operations had been merged in 1984. The 1985 transaction was completed in December for a pretax gain of $132 million. Payment included $43 million in cash and a non-interest-bearing note due one year from closing, or earlier if certain events occur. Earnings from this investment prior to disposition were an insignificant portion of GE's total 1985 results.

Other transactions resulting from adjustments to previous unusual disposition provisions. These aggregated $139 million before taxes in 1985.

- *Unusual gains in 1984 included:*

Sale of most of Utah International Inc. to The Broken Hill Proprietary Company Limited (BHP) in a transaction valued at $2.4 billion, representing the cash proceeds from the sale as well as the value of the 15.5% interest in several Australian coal properties which the Company retained and subsequently sold in 1985. (GE also retained Ladd Petroleum Corporation, formerly a wholly owned Utah affiliate.) GE's share of the total assets of new and retained properties at December 31, 1984, is shown under natural resources in note 23. Natural resources operating results for 1984 as summarized on page 34 include revenues of $373 million and net earnings of $70 million, representing total revenues and net earnings of Utah for the first quarter, while results for the remainder of 1984 are only for the properties owned subsequent to the sale. The 1984 gain from the Utah transaction was $500 million before taxes and after providing for future contractual obligations.

Sale of GE's small household appliance operations, both domestically and abroad, to The Black and Decker Manufacturing Company (B&D) in April. Small appliance operations accounted for less than 2% of GE's consolidated sales. This transaction did not include any of GE's other consumer products lines. GE received cash, three million shares of B&D stock (one-half of which were subsequently sold in January 1986) and approximately $50 million in a three-year note. GE has agreed not to sell the remaining B&D stock, except in certain circumstances, nor to purchase additional B&D stock until 1987. The note was interest-free for the first year and bears interest of 9% annually thereafter. The gain from this disposition was $28 million before taxes and after providing for future contractual obligations.

Merger of General Electric Cablevision Corporation in the fourth quarter of 1984 into a subsidiary of United Artists Cablesystems Corporation (Cablesystems). In this transaction, GE received cash and 37% of the stock of Cablesystems. Cablevision operations have been minor in relation to GE's total results. The gain on this transaction was $89 million before taxes and after providing for future contractual obligations.

- *Unusual gains in 1983* came from the divestiture of all but one of the Company's radio and broadcasting television stations ($81 million) as well as sale of the Company's minority position in Gearhart Industries ($36 million).

- *Unusual costs include the following:*

Expense provisions to cover corporate restructurings — $447 million in 1985, $636 million in 1984 and $147 million in 1983. These represent the provisions for expenses of refocusing a wide variety of business and marketing activities and reducing foreign and domestic risk exposures. These provisions include costs of rationalizing and improving a large number of production facilities, rearranging production activities among a number of existing plants, and reorganizing, phasing out or otherwise concluding other activities no longer considered essential to the conduct of the Company's business.

Special cash payment to certain employees in 1985 — $93 million. The payment was equal to 3% of normal straight-time annual earnings in July 1985 to hourly

union employees, in accordance with new union contracts, and also to certain other hourly and non-exempt salaried employees. The total payment aggregated $103 million and was reflected as an unusual expense for the quarter or was capitalized in inventory, depending on employees' work assignments, with inventoried amounts recorded as expense when the inventories are sold.

Revaluations of goodwill and intangibles. In 1984, goodwill and intangibles were revalued downward by $126 million to recognize the rapid changes occurring in certain technology businesses.

8 Provision for income taxes

(In millions)	1985	1984	1983
U.S. federal income taxes:			
Estimated amount payable	$ 842	$1,051	$657
Effect of timing differences	139	(129)	(5)
Investment credit deferred — net	35	41	5
	1,016	963	657
Foreign income taxes:			
Estimated amount payable	135	143	263
Effect of timing differences	(4)	(85)	10
	131	58	273
Other (principally state and local income taxes)	45	44	45
	$1,192	$1,065	$975

All General Electric consolidated U.S. federal income tax returns have been closed through 1972.

- Provision has been made for U.S. federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent Company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled $964 million at the end of 1985, $900 million at the end of 1984 and $1,598 million at the end of 1983.

- General Electric Financial Services, Inc. (GEFS) is a nonconsolidated affiliate for financial reporting but is included in General Electric's consolidated U.S. federal income tax return. Taxes payable by the consolidated companies shown in the preceding table exclude the effect of significant tax credits and deductions of GEFS, which arise primarily from leasing activities. GE and GEFS together had net taxes payable for 1985 and 1984 following a net recoverable amount in 1983. Existing leases of GEFS will generate taxable income in future years which is provided for in the deferred income taxes of GEFS (see note 14). At December 31, 1985 and 1984, investment tax credit carryforwards totaling $358 million and $92 million, respectively, were recorded by GEFS as a partial offset to deferred taxes. For financial reporting purposes, these carryforward amounts are amortized to earned income over lease periods (as are investment tax credits usable currently). For tax purposes, they will be offset against taxes payable in the future.

- Some items are reported in financial statements in different years than they are included in tax returns. Deferred taxes are provided on these timing differences as summarized below.

Effect of timing differences on U.S. federal income taxes

Increase (decrease) in provision for income taxes (In millions)	1985	1984	1983
Tax over book depreciation	$ 124	$ 168	$ 54
Margin on installment sales	48	28	(8)
Provision for warranties	23	24	(5)
Provision for pensions	(171)	(47)	12
Other — net	115	(302)	(58)
	$ 139	$(129)	$ (5)

Other — net reflects a number of individual timing differences, including those related to various portions of transactions involving business dispositions, restructuring expense provisions and reductions of intangibles.

- Investment tax credit amounted to $111 million in 1985, compared with $110 million in 1984 and $72 million in 1983. In 1985, $76 million was included in net earnings, compared with $69 million in 1984 and $67 million in 1983. At the end of 1985, the amount deferred which will be included in net earnings in future years was $414 million.

Reconciliation from statutory to effective income tax rates

	1985	1984	1983
U.S. federal statutory rate	46.0%	46.0%	46.0%
Reduction in taxes resulting from:			
Varying tax rates of consolidated affiliates (including DISC and FSC)	(3.6)	(3.8)	(5.9)
Inclusion of GEFS earnings in before-tax income on an after-tax basis	(5.3)	(4.5)	(4.1)
Investment credit	(2.1)	(2.1)	(2.2)
Unusual items (varying tax rates)	(0.5)	(2.3)	(0.6)
Income tax at capital gains rate	(0.2)	(0.3)	(0.6)
Other — net	(0.6)	(1.3)	(0.5)
Effective tax rate	33.7%	31.7%	32.1%

- Based on the location of the component furnishing goods or services, domestic income before taxes was $3,339 million in 1985 ($3,025 million in 1984 and $2,364 million in 1983). The corresponding amounts for foreign-based operations were $201 million, $331 million and $669 million in each of the last three years, respectively. Provision for income taxes is determined on the basis of the jurisdiction imposing the tax liability. Therefore, U.S. and foreign taxes shown previously do not compare directly with these segregations.

9 Cash and marketable securities

Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Carrying value of marketable securities was substantially the same as market value at year-end 1985 and 1984. Equity securities in the portfolio were carried at a cost of $206 million and $56 million at December 31, 1985 and 1984, respectively.

10 Current receivables

December 31 (In millions)	1985	1984
Receivable from:		
Customers	$4,571	$4,259
Associated companies	114	115
Nonconsolidated affiliates	15	50
Others	1,434	1,178
	6,134	5,602
Less allowance for losses	(94)	(93)
	$6,040	$5,509

11 Inventories

December 31 (In millions)	1985	1984
Raw materials and work in process	$3,618	$3,514
Finished goods	1,926	1,936
Unbilled shipments	261	247
	5,805	5,697
Less revaluation to LIFO	(1,856)	(2,027)
LIFO value of inventories	$3,949	$3,670

About 85% of total inventories is valued using the LIFO method of inventory accounting.

- LIFO revaluations were $171 million lower at year-end 1985 than at year-end 1984, compared with decreases of $125 million and $114 million during 1984 and 1983, respectively. Of the decrease in 1985, $128 million was because of lower inventory levels, principally in power systems. The remainder of the 1985 reduction was due to net current-year price decreases. In 1984, decreases arose from lower inventory levels ($157 million, of which $32 million was related to business dispositions), partly offset by higher prices ($32 million). In 1983, decreases arose from $132 million lower inventory levels, partly offset by higher prices ($18 million).

12 Property, plant and equipment

(In millions)	1985	1984
Major classes at December 31:		
Manufacturing plant and equipment		
Land and improvements	$ 178	$ 181
Buildings, structures and related equipment	3,449	3,178
Machinery and equipment	10,218	9,353
Leasehold costs and manufacturing plant under construction	906	823
Oil and gas properties	1,351	1,234
	$16,102	$14,769
Cost at January 1	$14,769	$14,806
Additions	2,038	2,488
Dispositions	(678)	(2,509)
Other changes	(27)	(16)
Cost at December 31	$16,102	$14,769
Accumulated depreciation, depletion and amortization		
Balance at January 1	$ 7,079	$ 7,109
Current-year provision	1,226	1,100
Dispositions	(536)	(1,163)
Other changes	5	33
Balance at December 31	$ 7,774	$ 7,079
Property, plant and equipment less depreciation, depletion and amortization at December 31	$ 8,328	$ 7,690

13 Funds held for business development

Funds held for longer-term future business development are invested in a variety of securities, principally state, county and municipal bonds and corporate preferred stocks. Estimated realizable value of these investments was about the same as cost at December 31, 1985 and 1984.

14 Other investments

December 31 (In millions)	1985	1984
Nonconsolidated financial services affiliates	$2,311	$1,898
Associated companies	293	427
Miscellaneous investments (at cost):		
Government and government-guaranteed securities	158	183
Other	344	289
	502	472
Marketable equity securities	81	130
Less allowance for losses	(37)	(24)
	$3,150	$2,903

Investments in nonconsolidated affiliates and associated companies included advances of $15 million at December 31, 1985 ($33 million at December 31, 1984).

• During 1984, General Electric formed a new wholly owned, nonconsolidated affiliate, General Electric Financial Services, Inc. (GEFS). GEFS includes General Electric Credit Corporation (GECC), formerly a wholly owned, nonconsolidated finance subsidiary of GE, and Employers Reinsurance Corporation (ERC), which was acquired by GEFS on July 2, 1984. The transfer of GECC to GEFS was accounted for by combining the assets and liabilities of GECC with GEFS at historical cost. The GEFS acquisition of ERC was accounted for as a purchase. During the normal course of business, GEFS and its affiliates have minor transactions with General Electric Company and certain of its consolidated affiliates. Virtually all products financed by GECC are manufactured by companies other than General Electric. GEFS is included in GE's consolidated U.S. federal income tax return. Condensed consolidated financial statements for GEFS follow.

Pro forma net earnings of GEFS for the years 1984 and 1983, assuming acquisition of ERC had been completed at the beginning of each of those years, would have been about the same as amounts actually reported.

More information about GECC is available in its annual report, which may be obtained from General Electric Credit Corporation, P.O. Box 8300, Stamford, Conn. 06904. Complete GEFS financial statements are in GE's Form 10-K (see page 59 for availability).

General Electric Financial Services, Inc.
Current and retained earnings

For the year (In millions)	1985	1984	1983
Earned income	$3,805	$2,933	$1,949
Expenses:			
Interest and discount	1,339	1,123	856
Operating and administrative	978	763	571
Losses and policyholder benefits of insurance affiliates	876	583	92
Provision for losses			
— receivables	185	109	109
— other assets	3	1	1
	3,381	2,579	1,629
Earnings before income taxes	424	354	320
Provision for income taxes	(11)	(25)	(49)
Net earnings	413	329	271
Less dividends	—	—	(217)
Retained earnings at January 1	726	397	343
Retained earnings at December 31	$1,139	$ 726	$ 397

General Electric Financial Services, Inc.
Financial position

December 31 (In millions)	1985	1984
Financing receivables:		
Time sales and loans, net of deferred income	$11,854	$10,087
Investment in financing leases	7,267	5,922
	19,121	16,009
Allowance for losses	(492)	(406)
Financing receivables — net	18,629	15,603
Cash, short-term investments and marketable securities	3,421	2,644
Other receivables — net	938	715
Equipment on operating leases — net	1,113	1,013
Other assets	1,539	1,446
Total assets	$25,640	$21,421
Notes payable:		
Due within one year	$11,563	$ 9,331
Long-term	4,830	4,071
Reserves of insurance affiliates	2,048	1,974
Other liabilities	1,265	1,031
Total liabilities	19,706	16,407
Deferred income taxes	3,581	3,088
Deferred investment tax credits	51	52
Capital stock	1	1
Additional paid-in capital	1,152	1,152
Retained earnings	1,139	726
Unrealized gain (loss) on securities held by insurance affiliates	10	(5)
Equity	2,302	1,874
Total liabilities, deferred tax items and equity	$25,640	$21,421

• Miscellaneous investments had an estimated realizable value about the same as cost at year-end 1985 and 1984.

• Marketable equity securities are carried at cost. Aggregate market value of marketable equity securities was $209 million and $267 million at year-end 1985 and 1984, respectively. At December 31, 1985, gross unrealized gains on marketable equity securities were $137 million and gross unrealized losses were $9 million.

15 Other assets

December 31 (In millions)	1985	1984
Long-term receivables	$ 549	$ 586
Recoverable engineering costs on government contracts	422	349
Real estate development projects	181	159
Deferred charges	124	131
Goodwill	117	145
Licenses and other intangibles	105	107
Customer financing	94	100
Deferred income taxes	—	128
Other	90	66
	$1,682	$1,771

Deferred income tax credits of $35 million are included in other liabilities in 1985.

16 Short-term borrowings

December 31 (In millions)	1985 Amount	1985 Average rate at Dec. 31	1984 Amount	1984 Average rate at Dec. 31
General Electric Company:				
Notes with trust departments	$ 304	7.5%	$ 291	8.0%
Commercial paper	50	7.9	—	—
Consolidated affiliate bank borrowings	601	31.6	565	30.3
Other, including current portion of long-term borrowings	342		191	
	$1,297		$1,047	

- Other borrowings at December 31, 1985, included $170 million of repurchase agreements. These agreements represented a loan by GE of U.S. Treasury Notes (classified as current marketable securities of $162 million) in connection with the borrowings. Other borrowings also included amounts from nonconsolidated affiliates of $89 million at December 31, 1985 ($78 million at December 31, 1984).

- The average balance of short-term borrowings, excluding the current portion of long-term borrowings, was $1,391 million in 1985 (calculated by averaging month-end balances for the year), compared with an average balance of $883 million in 1984. The maximum balances in these calculations were $1,813 million and $1,046 million at the end of September 1985 and March 1984, respectively. The average worldwide effective interest rate for the year 1985 was 15% and for 1984 was 20%. These average rates represent total short-term interest incurred divided by the average balance outstanding.

- Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, confirmed credit lines of approximately $1 billion had been extended by about 60 banks at year-end 1985. Substantially all of these lines are available for use by GECC and General Electric Financial Services, Inc. in addition to their own credit lines.

17 Accounts payable

December 31 (In millions)	1985	1984
Trade accounts	$1,757	$1,644
Collected for the account of others	180	179
Due to nonconsolidated affiliates	267	108
	$2,204	$1,931

18 Other costs and expenses accrued

The balances at year-end 1985 and 1984 included compensation and benefit costs accrued of $756 million and $769 million, respectively.

19 Long-term borrowings

Outstanding December 31 (In millions)	1985	1984	Due date	Sinking fund/ prepayment period
General Electric Company:				
5¾% Notes	$ 32	$ 38	1991	1972-90
5.30% Debentures	34	34	1992	1973-91
7½% Debentures	—	95	1996	1977-95
8½% Debentures	217	217	2004	1985-03
Industrial Development Bonds	251	152	Various	
General Electric Overseas Capital Corporation:				
4¼% Debentures	14	29	1987	None
5½% Sterling/Dollar Guaranteed Loan Stock	2	2	1993	None
All other	203	186		
	$753	$753		

- The Company's obligation for the 7½% Debentures due in 1996 was extinguished in 1985 by placing certain U.S. government obligations in an irrevocable trust dedicated solely to payment of principal and interest on the debentures. The gain from this transaction was immaterial.

- Borrowings of General Electric Overseas Capital Corporation (GEOCC) are unconditionally guaranteed by General Electric as to payment of principal, premium (if any) and interest. Borrowings included 5½% Sterling/Dollar Guaranteed Loan Stock due in 1993 in the amount of £1 million ($2 million), convertible into GE common stock at $36.75 a share. Requirements for the maximum number of shares for GEOCC convertible debt (422,000 shares at December 31, 1985) may be met either from unissued shares or from shares in treasury.

- All other long-term borrowings include a variety of borrowings by affiliates and parent components with various interest rates and maturities. Amounts due to nonconsolidated affiliates were $6 million at the end of 1985 and 1984.

- Long-term borrowing maturities during the next five years, including the portion classified as current, are $75 million in 1986, $103 million in 1987, $32 million in 1988, $80 million in 1989 and $57 million in 1990. These amounts are after deducting debentures which have been reacquired for sinking-fund needs.

20 Share owners' equity

Preferred stock up to 2,000,000 shares ($1.00 par value) is authorized, but no such shares have been issued. Common stock (par value $1.25) shares authorized total 550,000,000.

Shares of common stock December 31 (In thousands)	1985	1984	1983
Issued January 1	462,928	462,928	462,928
Adjustment for pooling of interests	354	—	—
Issued December 31	463,282	462,928	462,928
In treasury	(7,306)	(8,052)	(8,297)
Outstanding	455,976	454,876	454,631

Share owners' equity (In millions)	1985	1984	1983
Common stock issued			
Balance January 1 and December 31	$ 579	$ 579	$ 579
Other capital			
Balance January 1	$ 640	$ 657	$ 676
Foreign currency translation adjustments	(18)	(10)	(16)
Unrealized gains (losses) on securities held by insurance affiliates	15	(5)	—
Gain (loss) on treasury stock dispositions	4	(2)	(3)
Balance December 31	$ 641	$ 640	$ 657
Retained earnings			
Balance January 1	$11,667	$10,317	$ 9,145
Net earnings	2,336	2,280	2,024
Dividends declared	(1,020)	(930)	(852)
Adjustment for pooling of interests	11	—	—
Balance December 31	$12,994	$11,667	$10,317
Common stock held in treasury			
Balance January 1	$ 313	$ 283	$ 202
Purchases	283	284	319
Dispositions:			
Employee savings plans	(113)	(133)	(101)
Stock options and appreciation rights	(64)	(39)	(53)
Employee stock ownership plan	(43)	(37)	(27)
Dividend Reinvestment and Share Purchase Plan	(29)	(26)	(15)
Exchange for GE long-term debt	—	(20)	(18)
Conversion of GEOCC long-term debt	(25)	(11)	(19)
Contribution to GE Pension Trust	(22)	—	—
Business acquisitions	—	(8)	(2)
Incentive compensation plans	10	20	(3)
Balance December 31	$ 310	$ 313	$ 283

In December 1985, GE issued 354 thousand new shares of stock having a value of $24 million for an acquisition accounted for as a pooling of interests. Because the acquisition was insignificant to GE's operations and financial condition, prior years have not been restated.

Business activities of most foreign affiliates are mainly based on the U.S. dollar, and the effect, which is not material, of translating their financial statements is included in current-year earnings. However, for a few affiliates the functional currency is other than the U.S. dollar, and the effects of financial statement translation are included as a reduction in other capital. Amounts for 1985 include the cumulative effect (a reduction of $44 million) at January 1, 1985, for a change in the functional currency of a Netherlands affiliate from the U.S. dollar to the Dutch guilder.

21 Other stock-related information

Stock option plans, appreciation rights and performance units are described in the Company's current Proxy Statement. Requirements for stock option shares may be met within certain restrictions either from unissued or treasury shares. During 1985, options were granted to 902 employees. As of December 31, 1985, approximately 529 individuals were eligible to receive options and 1,258 persons held options exercisable then or in the future.

Stock option information		Average per share	
(Shares in thousands)	Shares subject to option	Option price	Market price
Balance at January 1, 1985	9,131	$37.08	$56.63
Options granted	1,805	65.70	65.70
Options exercised	(1,176)	31.06	62.58
Options surrendered on exercise of appreciation rights	(439)	31.25	64.27
Options terminated	(142)	53.30	—
Balance at December 31, 1985	9,179	49.34	72.75

Outstanding options and rights expire, and the award period for outstanding performance units ends, on various dates from January 1, 1986, to December 20, 1995. The number of shares available for granting additional options at the end of 1985 was 12,111,642 (13,796,147 at the end of 1984).

Requirements for shares of stock for incentive compensation plans as described in the Company's Proxy Statement may be met within certain restrictions either from unissued shares or from shares in treasury.

As of December 31, 1985, approximately 4,297 individuals were eligible to receive allotments under incentive compensation plan rules. Allotments were made for services rendered during 1985 to 3,624 employees.

22 Commitments and contingent liabilities

Commitments, other than those related to the proposed acquisition of RCA (see note 2), and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of the management, are not considered to be material in relation to the Company's financial position.

23 Industry segment details

Revenues and net earnings by industry segment for each of the last five years are included in the Summary of Industry Segments on page 34 of this Report. Additional detail is shown in the tables below.

(In millions)	External sales and other income For the years ended December 31			Intersegment sales For the years ended December 31			Operating profit For the years ended December 31		
	1985	1984	1983	1985	1984	1983	1985	1984	1983
Consumer products	$ 3,452	$ 3,732	$ 3,650	$ 117	$ 126	$ 91	$ 392	$ 407	$ 310
Major appliances	3,617	3,650	3,078	—	—	—	467	462	383
Industrial	4,004	3,935	3,880	567	339	348	327	201	190
Power systems	5,373	5,797	5,686	179	213	192	792	789	709
Aircraft engines	4,625	3,731	3,435	87	104	60	676	510	403
Materials	2,347	2,117	1,964	112	124	96	466	470	329
Technical products and services	4,994	4,578	3,759	203	225	64	525	495	385
Financial services	499	448	397	—	—	—	420	355	306
Natural resources	—	609	1,579	—	—	—	—	192	479
Total segment operating profit	—	—	—	—	—	—	4,065	3,881	3,494
Interest and financial charges	—	—	—	—	—	—	(360)	(333)	(370)
Unusual items	—	—	—	—	—	—	(22)	(145)	(30)
Corporate items and eliminations	361	339	253	(1,265)	(1,131)	(851)	(143)	(47)	(61)
Total	$29,272	$28,936	$27,681	$ —	$ —	$ —	$3,540	$3,356	$3,033

In general, it is GE policy to price internal sales as nearly as practical to equivalent commercial selling prices. Slightly more than one-fifth of external sales in 1985 were to agencies of the U.S. government, the Company's largest single customer. Most of these sales were aerospace and aircraft engine products and services.

(In millions)	Assets At December 31			Property, plant and equipment For the years ended December 31 Additions			Depreciation, depletion and amortization		
	1985	1984	1983	1985	1984	1983	1985	1984	1983
Consumer products	$ 2,287	$ 2,340	$ 2,273	$ 179	$ 269	$ 222	$ 129	$ 141	$ 119
Major appliances	1,401	1,370	1,030	146	111	80	78	75	68
Industrial	2,652	2,670	2,569	204	264	228	163	151	158
Power systems	3,454	3,689	3,242	146	243	252	166	179	173
Aircraft engines	3,950	3,317	2,523	333	356	218	161	136	129
Materials	3,876	3,094	2,605	649	772	342	244	207	203
Technical products and services	2,777	2,778	2,052	289	340	216	236	166	124
Financial services	2,748	2,312	1,929	—	—	—	—	—	—
Natural resources	—	256	2,007	—	14	64	—	11	67
Corporate items and eliminations	3,287	2,904	3,058	92	119	99	49	34	43
Total	$26,432	$24,730	$23,288	$2,038	$2,488	$1,721	$1,226	$1,100	$1,084

• Net earnings for industry segments on page 34 include allocation of corporate financing income and expense to parent Company components based on change in individual component average non-fixed investment. Affiliated companies servicing their own debt record interest and financial charges directly.

General corporate expenses are allocated principally on the basis of cost of operations, with exceptions which recognize the varying degrees to which certain affiliated companies maintain their own corporate structures.

Provision for income taxes is allocated on the basis of total corporate effective tax rate, except for financial services, natural resources and unusual transactions, whose income taxes are calculated separately.

Minority interest is allocated to operating components responsible for investments in consolidated affiliates.

Minor adjustments were made to industry segment classifications in 1985. Ceramics operations, formerly included as part of the consumer products segment, are now classified with materials. Ladd Petroleum Corporation, formerly part of natural resources, is also classified with materials. Australian coal interests that remained after the sale of most of Utah International in 1984 were disposed of in 1985 (see note 7) and their nominal operating results for 1985 are included in corporate items. Operating results for prior years have not been restated for these changes because of their immaterial effect. However, in order to present more comparable data, total assets and

property, plant and equipment information for 1984 and 1983 have been revised to include ceramics and Ladd Petroleum Corporation in the materials segment rather than in the segments to which they formerly were assigned.

A summary description of each of the industry segments for 1985 follows.

• **Consumer products** consists of lighting products, video and audio products, batteries, mobile communications equipment and KCNC-TV (Denver). Lighting products include a wide variety of lamps: incandescent, fluorescent, photo, miniature, high-intensity and specialty. Markets and customers are extremely varied, ranging from household users served through retail outlets to original equipment manufacturers, such as the automotive industry. Video and audio products include television receivers, videocassette recorders, radios, tape recorders, citizens band radios and household telephone products, all of which are distributed principally to retail outlets. Batteries are principally the nickel-cadmium and sealed-lead rechargeable type sold to manufacturers and through consumer retail channels. Mobile communications products consist mainly of land-based FM two-way and one-way radio equipment and cellular telephones for a variety of customers. This segment also included broadcasting, cablevision and household appliance operations through the dates of their dispositions (see note 7).

• **Major appliances** includes both General Electric and Hotpoint brands of kitchen and laundry equipment, such as refrigerators, ranges, microwave ovens, freezers, dishwashers, clothes washers and dryers, and room air conditioners. A major portion of major appliance sales is to a variety of retail outlets. The other principal market consists of residential building contractors who install major appliances in new dwellings.

• **Industrial** includes factory automation products, semiconductors, motors, electrical equipment for industrial and commercial construction, General Electric Supply Company Division and transportation systems. Customers for industrial systems generally include industrial distributors, original equipment manufacturers and industrial end users. Factory automation products cover a broad range of electrical and electronic products, including drive systems, with increasing emphasis on factory and advanced engineering automation applications. Semiconductor operations provide the latest in semiconductor technologies to other GE operations as well as to external customers. An affiliate (Intersil) is a supplier of advanced integrated circuits and data acquisition products to the merchant market as well as a source of integrated circuits for GE's diversified product lines. Motors and motor-related products consist mainly of appliance motors and controls but also include larger sizes of motors for a broad range of industrial users. Motor products are used within GE and are also sold externally. Electrical construction equipment focuses on electrical distribution and circuit protection equipment needed for installation in commercial, industrial and residential buildings. General Electric Supply Company Division operates a nationwide network of electrical supply houses. Transportation systems include diesel-electric and electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, such as those used in mining operations, and drilling drives. Locomotives are sold principally to domestic and foreign railroads, while markets for other products include state and urban transit authorities and industrial users.

• **Power systems** serves worldwide utility, industrial and governmental customers with products for the generation, transmission and distribution of electricity, industrial drives, and related construction, installation, engineering and repair services. Steam turbine-generators are sold to the electric utility industry, to the U.S. Navy and, for cogeneration, to private industrial customers. Marine steam turbines and propulsion gears are also sold to the U.S. Navy. Gas turbines are used principally as packaged power plants for electric utilities and for industrial cogeneration and mechanical drive applications. Centrifugal compressors are sold for application in gas reinjection, pipeline service and such process applications as refineries and ammonia plants. Nuclear operations have become increasingly oriented toward plant support services and fuel assemblies with considerably less effort devoted to boiling-water-type power reactors, inasmuch as there have been no new nuclear plant orders in the United States since the mid-1970s and activity in international markets remains modest. Power delivery products include transformers, relays, electric load management systems, power conversion systems and meters, principally for electric utilities. Construction and engineering services include management and technical expertise for large projects, such as transmission lines; maintenance, inspection, repair and rebuilding of electrical apparatus produced by GE and others; on-site engineering and upgrading of already installed products sold by GE and others; and environmental systems for utilities.

• **Aircraft engines** and replacement parts are manufactured and sold by GE for use in military and commercial aircraft, and also in naval ships and as industrial power sources. General Electric's military engines are used in a wide variety of aircraft that includes fighters, bombers, transports and helicopters. CF6 engines are used in the McDonnell Douglas DC-10, the Airbus Industrie A300 and the Boeing 747. More advanced CF6 engine models have been selected to power the Boeing 767 and the Airbus Industrie A310 and A300-600. Of growing importance is the CFM56 engine family produced by the joint company of General Electric and SNECMA of France. Applications include the Boeing 737-300, the re-engined McDonnell Douglas DC-8 Super 70s and the re-engined Boeing KC-135 military tanker. An advanced engine model is used for the Airbus Industrie A320. GE also produces jet engines for executive aircraft and regional commuter airlines.

• **Materials** includes high-performance engineered plastics, silicones, industrial cutting materials, laminates and ceramics which are sold to a diverse customer base (mainly manufacturers) in the United States and abroad. Materials also includes Ladd Petroleum Corporation, an oil and natural gas developer and supplier with operations mainly in the United States.

• **Technical products and services** consists of technology operations providing products, systems and services to a variety of customers. Aerospace products span space sciences, electronics and microelectronics, ordnance systems, avionics, computer software, and simulation and control systems. Most aerospace sales are to the U.S. government. Medical systems include the new magnetic resonance (MR) scanner, computed tomography (CT) scanners, X-ray, nuclear medicine, ultrasound, and other diagnostic equipment and supporting services sold to domestic and foreign hospitals and medical facilities. Information services are provided both to internal and external customers by General Electric Information Services Company. These include enhanced computer-based communications services, such as data network services, electronic mail, electronic data interchange and automated clearinghouse services, which are offered to commercial and industrial customers through a worldwide network. Other information services include application software packages, and contract systems design and programming services. Calma Company designs, manufactures and sells interactive graphics systems for computer-aided design and manufacturing.

• **Financial services** includes a nonconsolidated affiliate, General Electric Financial Services, Inc. (GEFS), and its two wholly owned affiliates, General Electric Credit Corporation (GECC) and Employers Reinsurance Corporation (ERC). See note 14 for more information about these entities. GECC primarily engages directly or through affiliates in distribution sales financing, commercial and industrial financing and real estate financing. Strong emphasis on leasing has been a major factor in GECC's growth in recent years. ERC is a major participant in the property/casualty reinsurance business in the United States. Other financial services activities include two consolidated affiliates: General Electric Venture Capital Corporation provides venture capital, primarily to new or existing high-technology companies; and General Electric Real Estate Credit Corporation is an equity investor in selected real estate development projects.

• **Natural resources** through the first quarter of 1984 consisted of Utah International Inc. See note 7 for information pertaining to dispositions of this affiliate and earlier discussion in this note about 1985 industry segment adjustments.

24 Geographic segment information

(In millions)	Revenues For the years ended December 31								
	Total revenues			Intersegment sales			External sales and other income		
	1985	1984	1983	1985	1984	1983	1985	1984	1983
United States	$26,831	$25,968	$23,513	$ 671	$ 680	$ 590	$26,160	$25,288	$22,923
Far East including Australia	—	1,017	1,603	—	440	430	—	577	1,173
Other areas of the world	3,650	3,330	3,826	538	259	241	3,112	3,071	3,585
Intracompany eliminations	(1,209)	(1,379)	(1,261)	(1,209)	(1,379)	(1,261)	—	—	—
Total	$29,272	$28,936	$27,681	$ —	$ —	$ —	$29,272	$28,936	$27,681

	Net earnings For the years ended December 31			Assets At December 31		
	1985	1984	1983	1985	1984	1983
United States	$2,229	$2,061	$1,667	$22,733	$20,880	$18,105
Far East including Australia	—	150	278	—	681	1,458
Other areas of the world	101	59	80	3,809	3,290	3,864
Intracompany eliminations	6	10	(1)	(110)	(121)	(139)
Total	$2,336	$2,280	$2,024	$26,432	$24,730	$23,288

Geographic segment information (including allocation of income taxes and minority interest in earnings of consolidated affiliates) is based on the location of the operation furnishing goods or services. U.S. revenues include exports to external customers, and royalty and licensing income from foreign sources. Commencing in 1985, data for Far East including Australia have been combined with other areas of the world. In prior years, operations of Utah International, GE's former affiliate, had been the most significant contributor to Far East including Australia.

Revenues, net earnings and assets associated with foreign operations are shown in the tables above. At December 31, 1985, foreign operation liabilities, minority interest in equity and GE interest in equity were $2,190 million, $116 million and $1,503 million, respectively. On a comparable basis, the amounts were $2,271 million, $118 million and $1,582 million, respectively, at December 31, 1984; and $2,818 million, $168 million and $2,336 million, respectively, at December 31, 1983.

U.S. exports to external customers
(In millions)

	1985	1984	1983
Europe	$1,215	$ 950	$1,191
Pacific basin	965	1,125	1,045
Americas	502	603	648
Middle East and Africa	533	437	619
Other areas	134	140	136
Total	$3,349	$3,255	$3,639

Effect of changing prices (unaudited)

In the "adjusted for" column in the table at right, restatements are made to cost of goods sold for the current cost of replacing inventories and depreciation for the current cost of plant and equipment. GE's 1979 and 1980 Annual Reports included technical information about methodology used in preparing these data and may be obtained from Corporate Investor Communications at the address on page 59.

Restatements of cost of goods sold are relatively small because of GE's extensive use of LIFO inventory accounting and the relatively low rate of inflation in 1985. However, restatements of depreciation expense to current levels are relatively large, reflecting the cumulative effect of price increases over a number of years since the assets were acquired.

Trends in these adjusted data over time, excluding unusual items, may be at least as useful in understanding inflation's impact as are the data for a single year. The table below presents selected data adjusted for inflation for the past five years.

Effect of changing prices
For the year ended December 31, 1985

(In millions)	As reported	Adjusted for current costs (a)
Sales of products and services to customers	$28,285	$28,285
Cost of goods sold	19,775	19,907
Selling, general and administrative expense	4,349	4,349
Depreciation, depletion and amortization	1,226	1,476
Operating costs	25,350	25,732
Operating margin	2,935	2,553
Other income	987	987
Interest and other financial charges	(360)	(360)
Earnings before unusual items	3,562	3,180
Unusual items	(22)	(22)
Earnings before income taxes	3,540	3,158
Provision for income taxes	(1,192)	(1,192)
Minority interest	(12)	(9)
Net earnings	$ 2,336	$ 1,957
Earnings per share (in dollars)	$ 5.13	$ 4.30
Share owners' equity at December 31	$13,904	$16,855

(a) In dollars of average 1985 purchasing power.

Selected financial data adjusted for the effect of changing prices in dollars of average 1985 purchasing power

(Dollar amounts in millions; per-share amounts in dollars)	1985	1984	1983	1982	1981
Sales of products and services to customers	$28,285	$28,945	$28,947	$29,542	$32,221
Current cost information					
Net earnings before unusual items (a)	1,957	1,964	1,666	1,314	1,377
Net earnings per share before unusual items (a)	4.30	4.33	3.67	2.90	3.02
Share owners' equity at December 31	16,855	16,337	16,616	16,597	16,664
Excess of increase in general price level over increases in specific GE price levels (b)	377	567	614	605	832
Other					
Purchasing power loss on net monetary items	104	116	87	54	99
Dividends per share	2.23	2.12	2.03	1.86	1.85
Market price per share at December 31	72	58	62	53	32
Average Consumer Price Index (CPI-U; 1967 = 100)	322.2	311.1	298.4	289.1	272.4

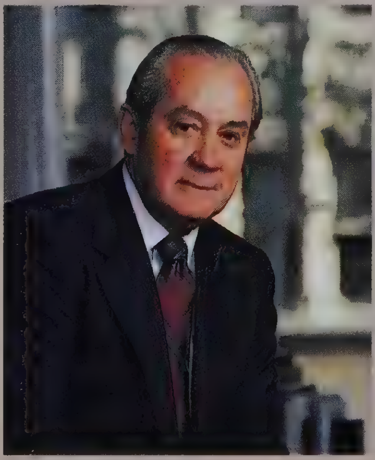
(a) Unusual items affected current cost earnings in 1984 only. Net earnings and net earnings per share including unusual items in 1984 were $1,325 million and $2.92, respectively. (b) At December 31, 1985, in end-of-year dollars, the current cost of inventory was $5,812 million and of property, plant and equipment was $9,702 million. In dollars of average 1985 purchasing power, the increase that might have been expected from general inflation was more than the increase in specific GE current costs by the amount shown. A similar pattern is shown in the other years.

Board of Directors

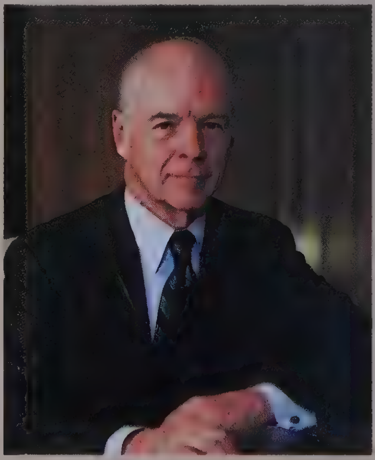
Richard T. Baker
Consultant to Ernst & Whinney, public accountants, Cleveland, Ohio. Director since 1977.

Lawrence A. Bossidy
Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1984.

Lawrence E. Fouraker
Fellow, John F. Kennedy School of Government, Harvard University, Cambridge, Mass. Director since 1981.



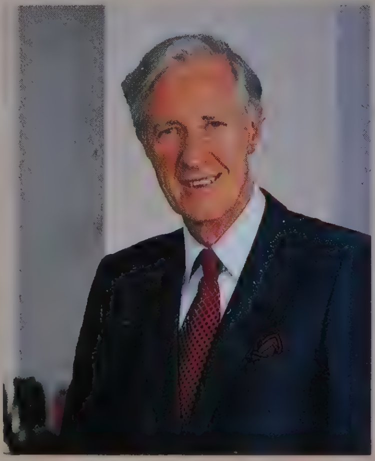
Henry H. Henley, Jr.
Chairman of the Board, Chief Executive Officer and Director, Cluett, Peabody & Co., Inc., manufacturing and retailing of apparel, New York, N.Y. Director since 1972.



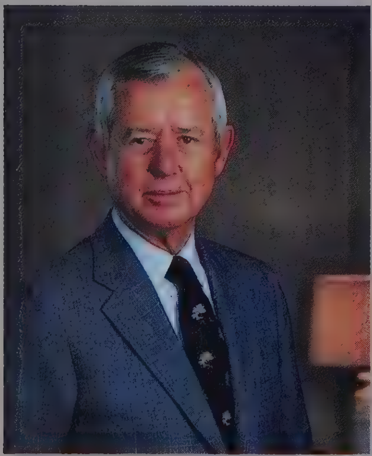
Henry L. Hillman
Chairman of the Board and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. Director since 1972.

Barbara Scott Preiskel
Attorney, New York, N.Y. Director since 1982.

Lewis T. Preston
Chairman of the Board and Director, J. P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company, New York, N.Y. Director since 1976.

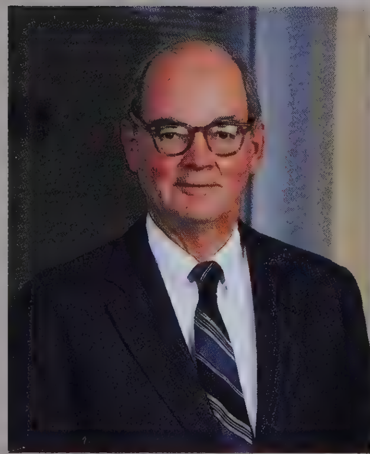


Frank H. T. Rhodes
President, Cornell University, Ithaca, N.Y. Director since 1984.



James G. Boswell II
Chairman of the Board, Chief Executive Officer and Director, J. G. Boswell Company, farming and related businesses, Los Angeles, Calif. Director since 1971.

Silas S. Cathcart
Chairman of the Board and Director, Illinois Tool Works Inc., diversified products, Chicago, Ill. Director since 1972.



Charles D. Dickey, Jr.
Director and retired Chairman of the Board, Scott Paper Company, Philadelphia, Pa. Director since 1972.

Edward E. Hood, Jr.
Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1980.

Robert E. Mercer
Chairman of the Board, Chief Executive Officer and Director, The Goodyear Tire & Rubber Company, Akron, Ohio. Director since 1984.

Gertrude G. Michelson
Senior Vice President–External Affairs, R. H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.

Andrew C. Sigler
Chairman of the Board, Chief Executive Officer and Director, Champion International Corporation, paper and forest products, Stamford, Conn. Director since 1984.

John F. Welch, Jr.
Chairman of the Board, Chief Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1980.

Walter B. Wriston
Retired Chairman of the Board and Director, Citicorp and Citibank, N.A., New York, N.Y. Director since 1962.

General Electric's Board of Directors, pictured alphabetically on the preceding pages, conducted 11 meetings in 1985.

At the November meeting, the Board increased the quarterly dividend from 55 cents to 58 cents per share.

In addition to regular meetings, Directors participated on the following committees that aid the Board in its duties.

The *Audit Committee,* which met five times, reviewed the activities and independence of the Company's independent public accountants and the activities of GE's internal audit staff. It also reviewed the Company's internal financial controls and compliance with key Company policies, including those related to the defense procurement area. This committee includes only Directors from outside the Company.

The *Finance Committee* examined the Company's financial position, its pension funding and trust operations, its foreign investments, the operations of General Electric Financial Services, Inc., and other matters involving large-scale utilization of Company funds. It met four times.

The *Management Development and Compensation Committee* met 10 times. It reviewed the Company's exempt salary structure and executive compensation programs and approved changes in GE's management.

The *Nominating Committee* held three meetings at which it reviewed candidates for the Board and recommended the committee structure and membership for the following year.

The *Operations Committee* held five meetings, including joint meetings with the Audit, Finance and Technology and Science committees. Among its activities were reviews of the aerospace business and the factory automation business.

The *Public Responsibilities Committee,* at its two meetings, reviewed the activities of the General Electric Foundations and evaluated public issues that could have a major impact on the Company.

The *Technology and Science Committee* held two meetings, both joint sessions with the Operations Committee. Its review of the major appliance business included an inspection of new manufacturing technologies in operation in Kentucky and Tennessee.

Committees of the Board

Audit Committee
Richard T. Baker, Chairman
Lawrence E. Fouraker
Gertrude G. Michelson
Barbara Scott Preiskel
Lewis T. Preston

Finance Committee
James G. Boswell II, Chairman
John F. Welch, Jr., Vice Chairman
Charles D. Dickey, Jr.
Henry H. Henley, Jr.
Robert E. Mercer
Frank H.T. Rhodes
Walter B. Wriston

Management Development and Compensation Committee
Walter B. Wriston, Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
Henry L. Hillman
Gertrude G. Michelson

Nominating Committee
Charles D. Dickey, Jr., Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
Gertrude G. Michelson
Lewis T. Preston
Andrew C. Sigler

Operations Committee
Henry L. Hillman, Chairman
Lawrence A. Bossidy, Vice Chairman
James G. Boswell II
Silas S. Cathcart
Robert E. Mercer
Lewis T. Preston
Andrew C. Sigler

Public Responsibilities Committee
Henry H. Henley, Jr., Chairman
John F. Welch, Jr., Vice Chairman
Richard T. Baker
Lawrence E. Fouraker
Henry L. Hillman
Gertrude G. Michelson
Barbara Scott Preiskel
Andrew C. Sigler

Technology and Science Committee
Frank H.T. Rhodes, Chairman
Edward E. Hood, Jr., Vice Chairman
James G. Boswell II
Charles D. Dickey, Jr.
Henry L. Hillman
Robert E. Mercer

Management
(As of February 14, 1986)

Corporate Executive Officers

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

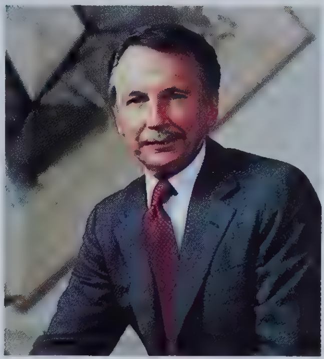
Lawrence A. Bossidy
Vice Chairman of the Board and
Executive Officer

David C. Genever-Watling
Corporate Executive Office
Vice President

Edward E. Hood, Jr.
Vice Chairman of the Board and
Executive Officer

Charles V. Sheehan
Corporate Executive Office
Vice President

Paul W. Van Orden
Corporate Executive Office
Executive Vice President

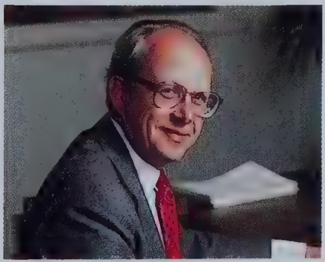


Senior Corporate Officers

Dennis D. Dammerman
Senior Vice President–Finance
Corporate Finance Staff

Frank P. Doyle
Senior Vice President
Corporate Relations Staff

Jack O. Peiffer
Senior Vice President
Executive Management Staff



Walter A. Schlotterbeck
Senior Vice President–
General Counsel and Secretary
Corporate Legal Staff

Roland W. Schmitt
Senior Vice President
Corporate Research and
Development

Corporate Staff Officers

Michael A. Carpenter
VP–Corporate Business
Development and Planning

Thomas R. Casey, M.D.
VP & Company Medical Director

James J. Costello
VP & Comptroller

Dale F. Frey
Chairman of the Board
and President
General Electric Investment
Corporation

Fred W. Garry
VP–Corporate Engineering
and Manufacturing

Joseph Handros
VP & Deputy General Counsel

Joyce Hergenhan
VP–Corporate Public Relations

Standley H. Hoch
VP & Treasurer

Phillips S. Peter
VP–Corporate Government
Relations

Arthur V. Puccini
VP–Corporate Employee
Relations

Edward J. Skiko
VP–Corporate Information
Systems

W. Roger Strelow
VP–Corporate Environmental
Programs

Leonard Vickers
VP–Corporate Marketing

R. Howard Annin, Jr.
VP–Western Regional Relations

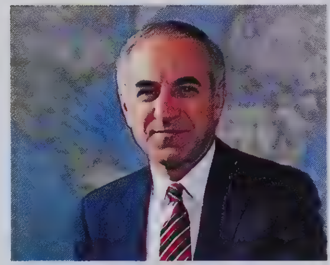
Mark J. D'Arcangelo
VP–Northeastern Regional
Relations

William C. Lester
VP–East Central Regional
Relations

Iver J. Petersen
VP–Central Regional Relations

Operating Management
(As of February 14, 1986)

Aerospace



Louis V. Tomasetti
Senior VP & Group Executive
Aerospace Group

Nicholas Boraski
VP & General Manager
Ordnance Systems Division

Russell L. Noll, Jr.
VP & General Manager
Avionic and Electronic Systems Division

Allan J. Rosenberg
VP & General Manager
Space Systems Division

Ladislaus W. Warzecha
VP & General Manager
Defense Systems Division

Aircraft Engine

Brian H. Rowe
Senior VP & Group Executive
Aircraft Engine Group

William J. Crawford III
VP–Government Relations and Special Business Projects

Robert D. Desrochers
VP–Finance

Robert C. Hawkins
VP & General Manager
Lynn Aircraft Engine Product Operations

Frank E. Pickering
VP & General Manager
Lynn Production Division

Harry C. Stonecipher
VP & General Manager
Evendale Aircraft Engine Product Operations

Edward C. Bavaria
VP & General Manager
Airline Marketing Division

Lee Kapor
VP & General Manager
Commercial Engine Projects Division

W. George Krall
VP & General Manager
Evendale Production Division

Francis J. Schilling
VP–Technical Support

Robert J. Smuland
VP & General Manager
Marine and Industrial Engines and Service Division

George H. Ward
VP & General Manager
Military Engine Projects Division

Andean Countries

Rodger E. Farrell
VP & General Manager
Andean Countries Division

Calma Company

Daniel W. McGlaughlin
President
Calma Company

Canadian & Latin American GE

William R. C. Blundell
Chairman of the Board and Chief Executive Officer
Canadian General Electric Company Limited

Robert T. E. Gillespie
Executive Vice President

Jurgen F. Niffka
Chairman of the Board and Chief Executive Officer
General Electric do Brasil S.A.

Paul H. Way
Chairman of the Board and Chief Executive Officer
General Electric de Mexico, S.A. de C.V.

Construction Equipment

John D. Opie
VP & General Manager
Construction Equipment Operations

David M. Engelman
VP & General Manager
Construction Equipment Sales Division

Consumer Electronics

Jacques A. Robinson
VP & General Manager
Consumer Electronics Operations

Corporate Trading Operations

James R. Birle
Senior Vice President
Corporate Trading Operations

John W. Perdiue
VP & General Manager
General Electric Supply Company Division

Bruce O. Roberts
VP–Corporate Sourcing

Engineered Materials

Charles R. Carson
Senior VP & Group Executive
Engineered Materials Group

Thomas H. Fitzgerald
VP & General Manager
Silicone Products Division

Factory Automation

Marion S. Richardson
VP & General Manager
Factory Automation Products Division

Robert P. Collins
VP & General Manager
Automation Controls Operations

Joel Tenzer
VP & General Manager
Drive Systems Operations

General Electric Financial Services

Robert C. Wright
President and
Chief Executive Officer
General Electric Financial Services, Inc. and General Electric Credit Corporation (GECC)

Leo A. Halloran
Senior VP–Finance

Gary C. Wendt
Executive Vice President
GECC Financing Operations

Michael S. Blum
Senior VP & General Manager
GECC Real Estate Financial Services Division

Dan L. Hale
Senior VP & General Manager
GECC Commercial Financing Division

Bernard P. Long
Senior VP & General Manager
GECC Distribution Sales Financing Division

James H. Ozanne
Senior VP & General Manager
GECC Transportation and Industrial Financing Division

Michael R. Dabney
VP & General Manager
GECC Corporate Financial Services Division

Michael G. Fitt
President and
Chief Executive Officer
Employers Reinsurance Corporation

General Electric Information Services

Walter W. Williams
President
General Electric Information Services Company

International Operations

Paolo Fresco
VP & General Manager
International Operations

Ladd Petroleum

John H. Moore
President
Ladd Petroleum Corporation

Lighting

Ralph D. Ketchum
Senior VP & Group Executive
Lighting Group

Eugene F. Apple
VP & General Manager
Lamp Components and Technical Products Division

Gary L. Rogers
VP & General Manager
Lamp Products Division

Thomas L. Williams
VP & General Manager
Lighting Systems Products Division

Major Appliance

Roger W. Schipke
Senior VP & Group Executive
Major Appliance Group

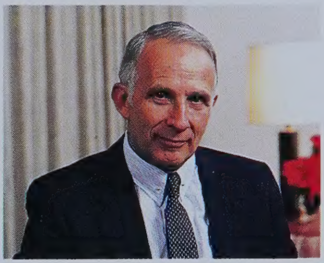
Richard L. Burke
VP & General Manager
Major Appliance Production Division

Bruce A. Enders
VP & General Manager
Major Appliance Marketing Division

Stephen J. O'Brien
VP & General Manager
Major Appliance Sales and Service Division

John C. Truscott
VP & General Manager
Major Appliance Technology Division

Medical Systems



Walter L. Robb
Senior VP & Group Executive
Medical Systems Group

Robert L. Stocking
VP & General Manager
Medical Systems Sales and Service Division

Mobile Communications

John M. Trani
VP & General Manager
Mobile Communications Division

Motor

Van W. Williams
Senior VP & Group Executive
Motor Group

Roger D. Morey
VP & General Manager
Motor Marketing Division

Plastics

Glen H. Hiner
Senior VP & Group Executive
Plastics Group

Paul L. Dawson
Chairman of the Board and
Chief Executive Officer
General Electric Plastics B.V.

Philip M. Gross
VP & General Manager
Plastics Ventures Division

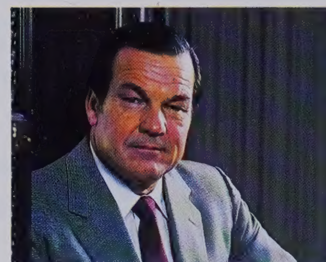
Herbert G. Rammrath
VP & General Manager
Plastics Sales Division

L. Donald Simpson
VP & General Manager
Plastics Manufacturing Division

Uwe S. Wascher
VP & General Manager
Plastics Marketing Division

Joseph G. Wirth
VP & General Manager
Plastics Technology Division

Power Systems



John A. Urquhart
Senior Vice President
Power Systems Business

George B. Cox
Senior VP & Group Executive
Turbine Group

Michael D. Lockhart
VP–Turbine Finance and
Business Support

George W. Sarney
VP & General Manager
Turbine Marketing and Projects
Division

Deibert L. Williamson
VP & General Manager
North America
Marketing Operations

Neil L. Felmus
VP & General Manager
Nuclear Energy Operations

Henry E. Stone
VP & Chief Engineer

Bertram Wolfe
VP & General Manager
Nuclear Technologies and Fuel
Division

Clyde D. Keaton
VP & General Manager
Domestic Apparatus and
Engineering Services Division

Eugene J. Kovarik
VP & General Manager
Power Delivery Division

J. Richard Stonesifer
VP & General Manager
International Construction and
Engineering Services Division

Giorgio Orsi
Managing Director
SADE/SADELMI Construction
Operations

Frank D. Kittredge
VP & General Manager
Power Systems International Sales

Henry J. Singer
VP & General Manager
Utility and Industrial Sales Division

Semiconductor

James E. Dykes
VP & General Manager
Semiconductor Division

Transportation Systems

Carl J. Schlemmer
VP & General Manager
Transportation Systems
Operations

John C. Dwyer
VP & General Manager
Transportation Marketing
and Sales Division

Share Owner and Other Information

Quarterly information

Operations

(Dollar amounts in millions; per-share amounts in dollars)	First quarter	Second quarter	Third quarter	Fourth quarter
1985:				
Sales of products and services to customers	$6,196	$6,843	$6,520	$8,726
Operating margin	599	797	710	829
Net earnings	511	590	575	660
Net earnings per share	1.12	1.30	1.26	1.45
1984:				
Sales of products and services to customers	$6,583	$6,664	$6,723	$7,977
Operating margin	607	698	691	849
Net earnings	485	579	564	652
Net earnings per share	1.07	1.28	1.24	1.44

Dividends and stock market

	Dividends declared		Common stock market price range	
	1985	1984	1985	1984
First quarter	55¢	50¢	$65¼-55⅝	$59 -48¾
Second quarter	55	50	62¾-58	56⅜-50½
Third quarter	55	50	64½-56¾	59⅜-48¼
Fourth quarter	58	55	73⅞-56¼	58⅞-53

The New York Stock Exchange is the principal market on which GE common stock is traded. As of December 6, 1985, there were about 490,000 share owners of record.

Dividend Reinvestment Plan

Share owners who have one or more shares of GE stock registered in their own name(s) are eligible to participate in the GE Dividend Reinvestment and Share Purchase Plan. For an authorization form and prospectus, write to: Share Owner Services, General Electric Company, P.O. Box 206, Schenectady, N.Y. 12301.

Form 10-K and other information

The financial information in this Report, in the opinion of management, substantially conforms with or exceeds the information required in the "10-K Report" to be submitted to the Securities and Exchange Commission at the end of March. Certain supplemental information is in that report, however, and copies without exhibits will be available, without charge, on or about April 15 from: Corporate Investor Communications, General Electric Company, Fairfield, Conn. 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974 and other GE employee benefit plan documents and information are available by writing to Corporate Investor Communications and specifying the information desired.

The Annual Reports of the General Electric Foundations also are available on request.

Transfer Agent

General Electric Company
Securities Transfer Operation
FDR Station
P.O. Box 5339
New York, N.Y. 10150

Registrar

Morgan Guaranty Trust Company of New York
Stock Transfer Department
30 West Broadway
New York, N.Y. 10015

Annual Meeting

The 1986 Annual Meeting of the General Electric Company will be held on Wednesday, April 23, at the Vista International Hotel in Kansas City, Mo.

Domestic employment

While the total number of GE managers and professionals showed a decline for the year ended September 30, 1985, the percentage of minorities and women in these key job categories stayed about the same or increased. This reflects a sound balance between GE's continuing commitment to Equal Employment Opportunity and actions taken to tighten staffing levels and organizations.

The percentage of women among GE managers rose from 5.7% in 1984 to 6.3%, as their number went from 1,408 to 1,479. Women again accounted for 13.4% of GE's professional work force, although the number of women professionals went from 7,296 to 7,182. The percentage of minority managers edged up from 4.8% to 4.9%, although their number went from 1,183 to 1,165. During the same period, the percentage of minority professionals slipped to 7.4% from 7.5%, as their number went from 4,083 to 3,952.

More than 10,400 women and 4,300 minorities were promoted. Overall, minorities account for 11% and women 25.6% of GE employees.

Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 38.

GENERAL ELECTRIC

1985 Annual Report

General Electric Company
Fairfield, Connecticut 06431

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